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November 198

MART

The Retailer's Magazine of Electronics/Appliance Profit Improvement

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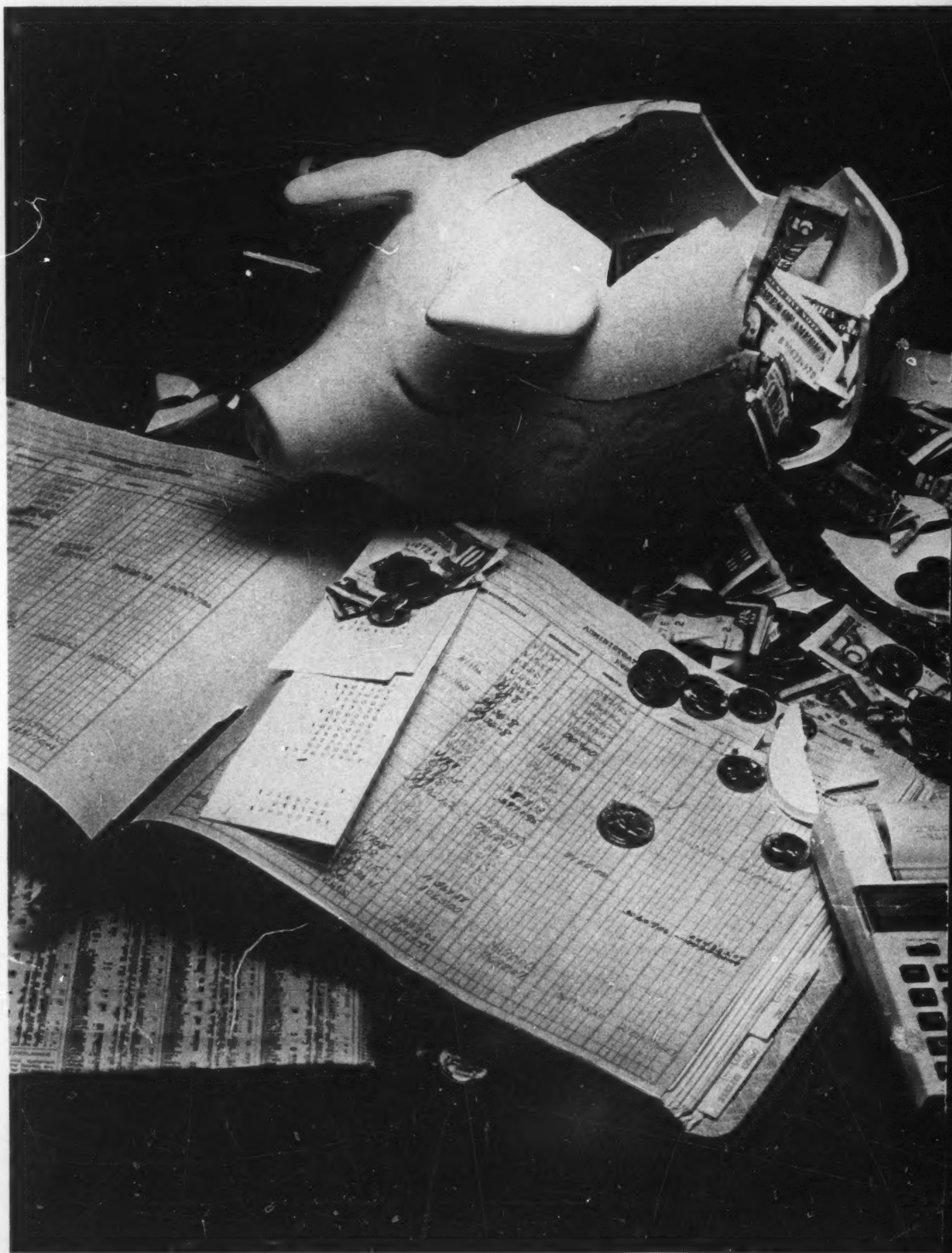

MART

ESTABLISHED 1953

November 1982

The Retailer's Magazine of Electronics/Appliance Profit Improvement

Volume 29, Number 3

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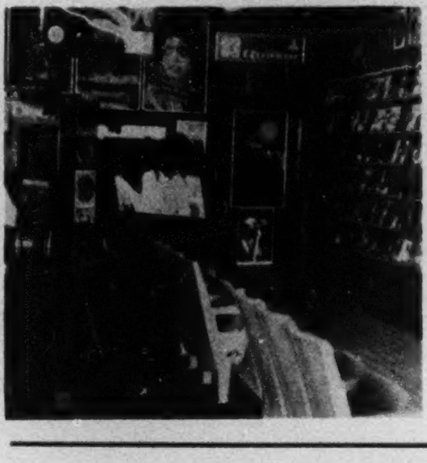
RETAIL MANAGEMENT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Morgan-Grampian
Publishers of American City & County • Mart
Industrial Distribution • Industrial Product Bulletin
Contractor • Municipal Index

BPA
ABP

MART (USPS-334-280) including Electrical Dealer, is published monthly by Morgan-Grampian Publishing Co., 2 Park Avenue, New York, NY 10016, (212) 340-5700. Second Class postage paid at Crystal Lake, Il. 60014. Subscription rates: $30 per year in the U.S. $42 all other countries, airmail $84. Single copy, U.S., $3; all other countries, $5. Publisher reserves the right to accept or reject any subscription. Microfilm copies of complete issues or reproductions of individual articles from microfilm prints can be obtained from Xerox University Microfilms, Ann Arbor, MI 48106. ©Copyright 1982, Morgan-Grampian Publishing Co. ALL RIGHTS RESERVED, including reproduction of this magazine in whole or in part. Change of address: Send to Circulation Manager, MART magazine, Berkshire Common, Pittsfield, MA 01201. Postmaster: Send form 3579 to Circulation Manager, MART magazine, Berkshire Common, Pittsfield, MA 01201.

Executive officers of Morgan-Grampian Publishing Co.: Domenic A. Mucchetti, President; William J. Adams, Vice President, Pittsfield Operations; John Beadell, Vice President, Circulation Systems; Charles Benz, Controller.

Microwave Ovens

Microwave-oven sales volumes trail 1981 as average price paid drops below $400

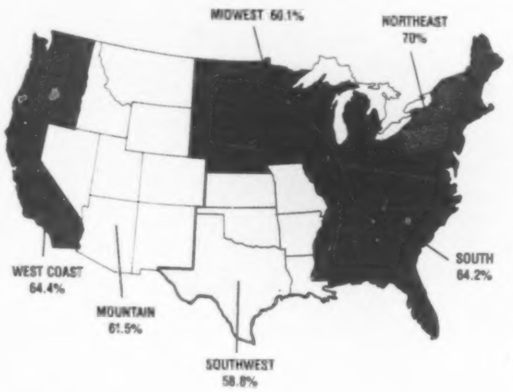
In the face of a lengthening recession, the mix of products sold in the major-appliance industry has changed over the last few years. Markets most affected by the decline in new housing have been hardest hit, but all segments of the appliance industry have felt the negative impact.

The microwave-oven business, although less affected by the recession than some other appliance categories, is nevertheless feeling the crunch. Sales and shipments in the first 9 months of 1982 were down by about 11 percent from 1981 levels. Despite the decline, the microwave oven is taking on added importance in the total appliance mix.

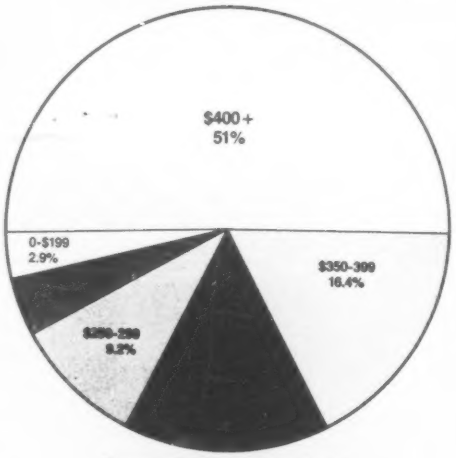
According to industry statistics supplied by Whirlpool Corp., microwave ovens now account for 16 percent of the total appliance-industry product mix. Microwave ovens now trail only refrigerators (18 percent) and automatic washers (17 percent) in unit shipments.

The same economic factors that have changed the mix of the overall appliance industry have changed the mix of the microwave microcosm. The average retail price paid for countertop microwave ovens dipped below $400 for the first time in 1981; according to Ron Whitford, microwave merchandising manager at Whirlpool, the average price paid was down nearly $25 per unit from 1980 average price levels — even though more than half of all retail microwave-oven sales were for $400 or more, and fully two-thirds of all sales were for $350 or more.

Touch Control Countertop Microwave Oven Sales As A Percentage Of The Total By U.S. Regions



Purchase Price Range for Countertop Microwave Ovens



Average Purchase Price: $399

But the slippage in the microwave-oven market has been a matter of price points rather than features. Today's microwave customers are buying as many features as in previous years; they're just not paying as much.

Most popular in the market today are touch controls, defrost cycles, and temperature probes — features found on today's mid-line models. According to Don Johnstone, vice president of marketing, Litton Microwave Cooking Products, the over-$500 market has all but disappeared for countertop microwave ovens.

The downward shift in price points has also changed the way manufacturers market their products. Rather than introducing new top-end models at top-end prices every year, and making last year's top-end model this year's mid-line model, manufacturers today are adding models to the middle of their line to meet specific price points.

Where is the retail action in the microwave oven market? A touch-control model with memory at $299 offered earlier this year by JC Penney caused a lot of industry comment. And while most retailers did not meet that price point, prices in general have continued to fall.

Ron Whitford, microwave merchandising manager for Whirlpool, told MART that touch models from $399 to $499 are the fastest growing market segment. Pat Duffner, product planning manager at Amana, adds that the market for high-end models with mechanical controls is also growing. And, Steve Sherman, microwave manager for Sanyo, said that first-time buyers are buying more compact units at promotional price points.

As market saturation increases (now more than 25 percent nationwide, and in some areas as high as 35 percent or more), and the replacement market begins to grow, the microwave business is becoming less seasonal.

However, traditionally appliance retailers sell upwards of 65 percent of their total microwave volume in the second half, and more than 40 percent in the last quarter alone. So while sales have been depressed for most of the year, there is always hope that a strong rebound in the last quarter will save the year.

Some in the industry are still convinced that by year-end, sales will equal 1981 totals. Others say that sales will be down by between 5 and 10 percent from 1981 levels.

An additional factor that will begin to effect the business is an increase in the number of replacement sales. According to Hoyle Rymer, president of Magic Chef, many consumers who purchased a microwave oven six or seven years ago are now trading up to units with new or improved features. Including second-unit purchasers, the number of repeat customers might be as high as 10 or even 15 percent of the business.

Microwave Oven Industry
Retail Purchases • Percentages By Month

	1981	1980	1979
JANUARY	10.9	11.0	8.8
FEBRUARY	5.7	6.5	3.7
MARCH	4.9	4.5	3.7
APRIL	5.5	4.4	3.7
MAY	7.4	6.5	6.2
JUNE	4.8	5.0	4.8
JULY	7.4	7.1	8.7
AUGUST	5.4	4.8	5.5
SEPTEMBER	4.6	4.5	5.4
OCTOBER	8.2	6.2	7.6
NOVEMBER	10.3	10.5	10.1
DECEMBER	24.9	29.0	31.8
AVERAGE RETAIL PRICE	$399	$423	$414

Source: Whirlpool Corp. for all charts on this page

Panasonic's model NE 7820 microwave oven features nine pre-programmed categories. **Write in 449.**

Whirlpool figures indicate that the market for microwaves is shifting in other ways, as well. Over the next few years, relatively less growth is expected in countertop microwave ovens, and proportionally more is expected in combination units.

In 1983, it is expected that 70 percent of the dollar volume in the microwave business will be in countertop units, while 30 percent will be combinations. By 1984, Whirlpool estimates that 36 percent of industry dollar volumes will be in combination units. But even though the proportion of countertop units will decline, dollar and unit volumes will increase.

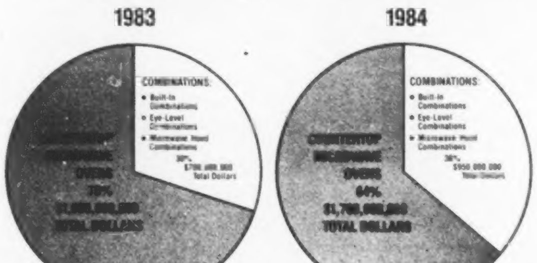
An overall shift in product mix has occurred on a geographic basis, as well. For example, on the west coast, where market saturation is somewhat higher than in other regions of the country, 64 percent of all countertop microwave ovens sold feature touch controls; in the northeast, 70 percent of all microwave ovens sold have touch controls. The southwest has the lowest percentage of touch-control sales in the nation, about 59 percent.

Microwave ovens are expected to be one of the major growth categories in the major appliance business in the next decade. Market saturation will expand by a minimum of 4 points a year for at least the next 10 years. Eventually, it is expected that eight out of 10 households will own a microwave oven.

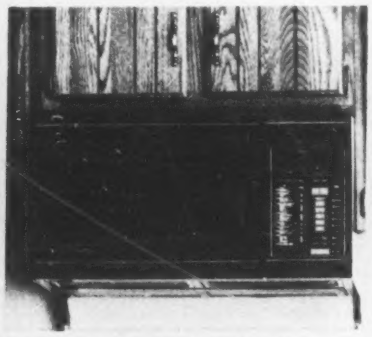
For the short term, manufacturers expect a rebound in the business as soon as consumer spending picks up. A modest decline in consumer interest rates and an increase in consumer spending could produce the industry's first five-million-unit year in 1983. ■

JOHN FOSTER

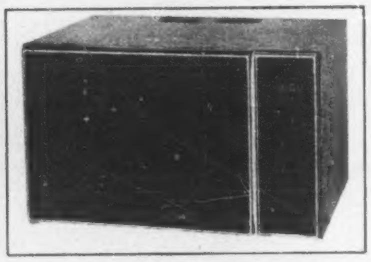
Projection of Future Growth Patterns for Countertop Microwave Ovens and Microwave Oven Combinations



Source:
Whirlpool Corp.

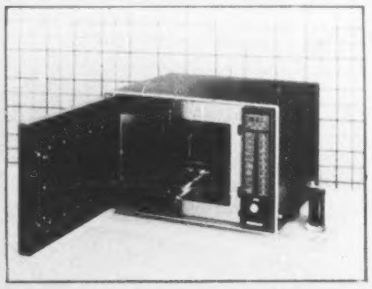


Litton's Litton-Aire combination microwave/range has a suggested retail of $1,500. **Write in 450.**



Frigidaire's microwave model MC-1100M features a 40-recipe memory and a rotating antenna. **Write in 451.**

Tappan's family-sized microwave ovens feature three safety interlock switches. **Write in 452.**



Thermador/Waste King's Option 3 micro/convection oven. **Write in 453.**

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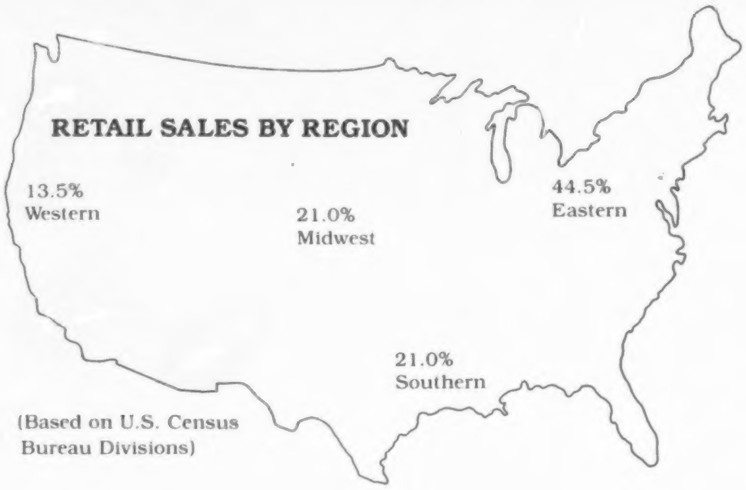
Write in 105.

Gas Grills

Gas-grill makers note a longer sales season, a higher dollar volume



The barbecue-grill market is large and growing. Retail sales of barbecue grills in 1981 amounted to more than $300 million — and sales are up again in 1982. Nearly 80 percent of all U.S. households own some sort of barbecue grill.

And the gas grill is the fastest-growing segment of the grill market, in both unit and dollar volumes. In 1981, more than 1.4 million gas grills — valued at more than $170 million — were sold at retail.

Gas grills, which account for little more than 10 percent of total barbecue-grill unit sales, nevertheless account for more than 50 percent of the grill industry's dollar volume.

Not surprisingly, as the gas-grill market has grown into mass market proportions, a shift has occurred in where units are sold. A decade ago, most gas grills were sold by gas utilities; today, the main outlets for gas grills are private-label department stores, mass merchandisers, home-center stores, and appliance and specialty stores.

The market remains quite seasonal, and, surprisingly, somewhat regional as well. The eastern sector of the country accounts for about 45 percent of all gas grill sales. And although 60 percent of all retail sales are made in April, May, June, and July, the sales year is being extended on both ends of the calendar.

More than 20 percent of sales are now made in the first quarter of the year, the so-called pre-season, and an additional 10 percent or so of all gas-grill sales are made in the fourth quarter.

Retail price points reflect the upgrading of the gas-grill customer. Fewer units are sold in the under-$100 price category than in recent previous years; most sales come at price points between $100 and $300. The average price paid for a gas grill in 1981 was $120.

As to the size mix, a little more than 10 percent of all gas grills sold have a surface cooking area pf 250 sq. in. or less; only about 5 percent have a cooking surface larger than 500 sq. in.

According to Arkla, the market for gas grills has spawned a market for grill accessories as well. Grill-accessory sales were up more than 50 percent in 1981.

Arkla has projected that by 1984 the gas-grill market will have grown to nearly 2 million units a year. By 1986, the company projects, the gas grill will account for more than 16 percent of the 13.5 million barbecue-grill sales.

More than 11 million gas barbecue grills are currently in use in the United States, about 10 percent of the total of 112 million barbecue grills in service. And because many consumers view a gas grill as a step up from a charcoal grill, replacement sales promise to accelerate the expansion of the gas-grill market. ■

GRILL PENETRATION 1981

Total U.S. Households	81.9 Million
Barbecue Households	63.1 Million
Percent	77.0%
Total Grills In Service	111.9 Million
Charcoal	98.2 Million
Gas	11.2 Million
Electric	2.5 Million
Industry Penetration	
Charcoal	87.8%
Gas	10.0%
Electric	2.2%

RETAIL SALES DOLLARS —$000—

	1976	1981	% of Barbecue Industry
Charcoal	$ 71.650	$139.005	44%
Gas	94.713	171.817	54%
Electric	4.672	6.188	2%
	$171.035	$317.010	100%

RETAIL SALES BY PRICE POINT

1981

Under $100.00	17.1%
$100—$150	25.8%
$151—$200	24.1%
$200—$299	21.8%
$300 & Over	11.2%
	100.0%

Average Price of a Gas Grill
In 1981 $120.15

RETAIL SALES BY SIZE

Gas Grill Size Classification

Table Top (Carry Type)
Small Size (less than 250 sq. in.)
Standard Size (251 to 325 sq. in.)
Large Size (326 to 500 sq. in.)
Extra Large Size (Over 500 sq. in.)

	1977	1978	1979	1980	1981	1982
Table Top	1%	1%	1%	1%	2%	3%
Small	8%	10%	15%	9%	11%	8%
Standard	30%	43%	42%	39%	38%	35%
Large	59%	41%	40%	42%	45%	49%
X-Large	2%	5%	2%	9%	4%	5%

CHARTS PROVIDED BY ARKLA INDUSTRIES

INDUSTRY PERFORMANCE —UNITS

YEAR	INDUSTRY	CHARCOAL	%	GAS GRILL	%	ELECTRIC	%
1976	9.144.000	8.159.000	89.2	860.000	9.4	125.000	1.4
1977	10.518.000	9.328.000	88.7	1.050.000	9.9	140.000	1.3
1978	11.070.000	9.750.000	88.1	1.176.000	10.6	144.000	1.3
1979	11.098.000	9.635.000	86.8	1.327.000	11.9	136.000	1.2
1980	11.572.000	10.080.000	87.1	1.230.000	10.6	132.000	1.1
1981	11.798.000	10.240.000	86.6	1.430.000	12.1	128.000	1.1

INDUSTRY PROJECTIONS

YEAR	INDUSTRY	CHARCOAL	%	GAS GRILL	%	ELECTRIC	%
1982	11.975.000	10.200.000	85.2	1.600.000	13.4	175.000	1.5
1983	12,360.000	10.400.000	84.1	1.760.000	14.2	200.000	1.7
1984	12.920.000	10.750.000	83.2	1.920.000	14.9	250.000	2.1
1985	13.142.000	10.800.000	82.2	2.067.000	15.7	275.000	2.3
1986	13.418.000	10.900.000	81.2	2.218.000	16.5	300.000	2.5

COMPARISON OF RETAIL OUTLETS SELLING GAS GRILLS

1970 Versus 1982

1970

Private Brands	8%
Mass Merchants	1%
Home Centers	0%
Catalog Showroom & Premium Houses	0%
Appliance & Specialty Stores	9%
Utilities	82%
Department Stores	0%

1982

Private Brands	26%
Mass Merchants	20%
Home Centers	13%
Catalog Showroom & Premium Houses	7%
Appliance & Specialty Stores	18%
Utilities (Nat. & LP)	11%
Department Stores	5%

RETAIL SALES BY MONTH Percent %

	1979	1980	1981	1982
January	1	5	4	6
February	5	7	8	6
March	11	12	12	10
April	17	18	15	17
May	16	16	16	13
June	21	16	15	16
July	17	9	14	14
August	6	6	6	7*
September	2	2	2	2*
October	1	1	2	4*
November	1	4	3	3*
December	2	4	3	2*

*Forecasted

ACCESSORIES

Growth

1978—1979	24% Increase
1979—1980	21% Increase
1980—1981	43% Increase
1981—1982	53% Increase

Accessory Sales Mix

Lava Rock	35%
Rotisseries	21%
Covers	12%
Shelves	11%
Utensils	6%
Cookbooks	5%
Cleaning Brush	3%
Other	7%
	100%

DEMOGRAPHICS OF THE GASGRILL CUSTOMER

Age

18—24	13.3%
25—34	19.5%
35—44	22.2%
45—54	26.6%
55 and Older	18.4%

Education

College Graduates	21.3%
Attended College	17.8%
High School Graduates	45.0%
Did Not Graduate High School	15.9%

Home Ownership

Residence Owned	87.8%
Value Over $40,000	65.7%
Value Under $40.000	34.3%

Household Size

1 Person	4.6%
2 People	26.0%
3 or 4 People	49.3%
5 or More People	20.0%

Metro Areas

Central City	29.4%
Metro Suburban	51.3%
Non-Metro	19.3%

Consumer Electronics

MART video survey reveals trends; VCR portables, video cameras provide bright spots

What's hot and what's not—video dealers tell MART in an exclusive recent nationwide survey of more than 183 dealers selling color TV, VCR, video cameras, projection TV and video disc players.

In spite of a go-slow economy, dealers are still sold on VCR as a category and expect significant sales gains by year's end. Fully 18 percent of dealers surveyed expect a 30-to 100-percent sales increase, with almost one-fifth (19.3) percent looking for a 20-to 29-percent gain. Only 11 percent of the respondents told us their sales would be even or down compared with last year's figures.

What are video retailers selling? Portables continue to grab an increasing market share—almost one-fifth of the respondents say portable models make up from 30 to 49 percent of their VCR sales. For the average retailer, portable sales are at least 20 percent of their total.

The gap between VHS and Beta sales is becoming a chasm. VHS sales account for 71.5 percent of all VCRs sold.

Can anything be done to make selling video a little easier? Yes, according to our retail readership, who score video manufacturers for providing insufficient in-store merchandising materials. A whopping 47.5 percent feel they're not getting enough merchandising P.O.P. materials from suppliers.

Camera sales are still strong with over a quarter of our dealers reporting a 20-to 100-percent gain over last year. More than 18 percent are experiencing a 20-to 49-percent sales gain.

The video disc continues to be somewhat of a disappointment for the 48.6 percent of dealers selling this category. Almost 70 percent said that sales so far have been worse than expected. Only 8.5 percent of the dealers experienced better-than-expected-video disc sales. Of the 51.4 percent of dealers *not* selling the disc, one-third expect to add them in the future. (One half of this figure does not plan to add video disc to their video sales lineup.)

The color TV area is still running relatively flat for the 91 percent of our dealers selling them—average color sales are about 5 percent up over last year's sales, and almost 20 percent of the dealers are even with last year. Almost one-third, however, are enjoying color sales gains of 10 to 100 percent.

A depressed economy and continued credit crunch have taken a large bite out of projection TV sales, which just a year ago were expected to be a winner for 1982. Of the 61.8 percent of dealers carrying projection systems, fully 41 percent experienced even or slumping sales compared with last year. Only a third of dealers not stocking projection units plan to enter this field in 1983. ■

HOPE HEYMAN

Are you currently selling video cassette recorders?

Yes	90.7%
No	9.3%

If so, how do you expect this year's VCR sales to compare to last year's? (% up or down)

-20 to -30%	2.4%
-1 to -19%	1.2%
No change	7.3%
+1 to +9%	3.6%
+10 to +19%	15.7%
+20 to +29%	19.3%
+30 to +49%	9.0%
+50 to +74%	5.4%
+75 to +100%	3.6%
No answer	32.%

What percent of your VCR sales are portables?

None	10.2%
1 to 9%	9.0%
10 to 19%	19.9%
20 to 29%	16.9%
30 to 49%	18.1%
50 to 74%	12.7%
75 to 100%	6.6%
No answer	6.6%

Are you currently selling video disc players?

Yes	51.4%
No	48.6%

If so, how have disc-player sales compared to what you expected?

Better than expected	8.5%
Worse than expected	69.1%
About the same	19.2%
No answer	3.2%

If you do not sell video disc players, do you plan to add them?

Yes	30.3%
No	50.6%
No answer	19.1%

Do you sell video cameras?

Yes	77.6%
No	22.4%

If so, how do your camera sales compare to last year's?

Decreased	4.2%
No change	22.%
+1 to +9%	7.0%
+10 to +19%	18.3%
+20 to +49%	18.3%
+50 to +74%	5.6%
+75 to +100%	1.4%
No answer	22.6%

Are video manufacturers providing you with sufficient in-store merchandising materials?

Yes	43.2%
No	47.5%
No answer	9.3%

Do you sell projection-TV sets?

Yes	61.2%
No	38.8%

If so, how do your current projection-TV sales compare to last year's? (% up or down)

-50 to -100%	6.2%
-1 to -49%	6.2%
No change	28.5%
+1 to +9%	5.4%
+10 to +19%	9.8%
+20 to +49%	9.8%
+50 to +99%	2.7%
+100 or more	2.7%
No answer	28.5%

If you do not currently sell projection TV, do you plan to add it this year?

Yes	32.4%
No	60.6%
No answer	7.0%

C6185-3 2/7/83

December 1982

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MART

ESTABLISHED 1953

December 1982

The Retailer's Magazine of Electronics/Appliance Profit Improvement

Volume 29, Number 4

Publisher
William McGorry
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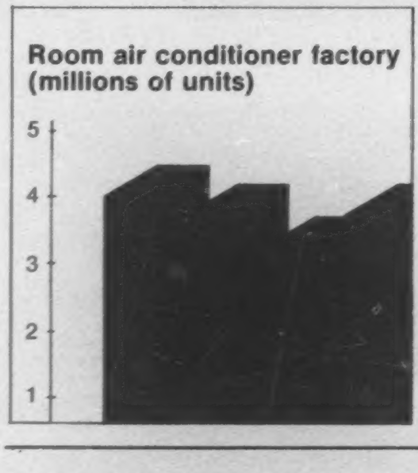

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Cover photograph by Rick Barrick

Morgan-Grampian
Publishers of American City & County • Mart
Industrial Distribution • Industrial Product Bulletin
Contractor • Municipal Index

BPA
ABP

MART (USPS-864-280) including Electrical Dealer, is published monthly by Morgan-Grampian Publishing Co., 2 Park Avenue, New York, NY 10016, (212) 340-9700. Second Class postage paid at Crystal Lake, Il. 60014. Subscription rates: $30 per year in the U.S. $42 all other countries, airmail $84. Single copy, U.S., $3; all other countries, $6. Publisher reserves the right to accept or reject any subscription. Microfilm copies of complete issues or reproductions of individual articles from microfilm prints can be obtained from Xerox University Microfilms, Ann Arbor, MI 48106. ©Copyright 1982, Morgan-Grampian Publishing Co. ALL RIGHTS RESERVED, including reproduction of this magazine in whole or in part. **Change of address:** Send to Circulation Manager, MART magazine, Berkshire Common, Pittsfield, MA 01201. Postmaster: Send form 3579 to Circulation Manager, MART magazine, Berkshire Common, Pittsfield, MA 01201.

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MAJOR APPLIANCES

Replacement gains 'sure as death and taxes'

Admiral President John Green feels appliance sales will take off right after New Year's

There's been nothing major about appliance sales in recent months, but dealers can look for a pick-up in January.

That's the word from Admiral President John Green, who expects appliance sales to start moving again shortly after the new year begins.

Why is Green looking for an upturn? He cited several factors:

- Interest rates are down, and should not increase again now that the November elections are past.
- The prime rate might drop below 10 percent sometime in the first quarter.
- An acceleration of housing starts should take place next year.

"The main reason for my bullishness is that so much pent-up demand exists now for replacement appliances," Green told MART. "I feel we are on the front end of a wave that will carry us for two or three years.

"If you look at appliance sales during 1972 and 1973," Green continued, "those were record years for almost any appliance category. The units sold back then are now coming due for replacement sometime during the first half of the 1980's...and it's as sure as death and taxes that we'll see a large replacement market."

The Admiral president further believes that unemployment has hit its peak. Appliance purchases, he added, will come from the 90 percent of Americans who are working.

Summarizing his economic outlook, "All factors are converging now to make the next three years very good appliance years."

Admiral, meanwhile, will carry on an aggressive ad campaign to keep its own sales moving.

'All factors are converging now to make the next three years very good appliance years:' Green.

"We also have a unique product coming out in the spring which we think will cause some excitement," Green said. "We've promised our dealers we will have a unique 'lifestyle' product each year for the next five years—it's all planned. For example, we introduced our 'Entertainer' this year, a top-mount refrigerator with ice water through the bottom door.

"We got our house in order," Green continued, citing industry statistics that

[Continued on page 30]

1982: a dismal year for room-air sales

A combination of a bad economy and bad summer weather leaves the distribution pipeline full

Factory unit shipments of room air conditioners in 1982 were dismal, and retail sales were even worse.

Retail sales of room air conditioners were at their lowest level in years. And the large surplus of inventory in the distribution pipeline that will be carried over into next year almost insures a sub-par year for air-conditioner factory shipments in 1983, as well.

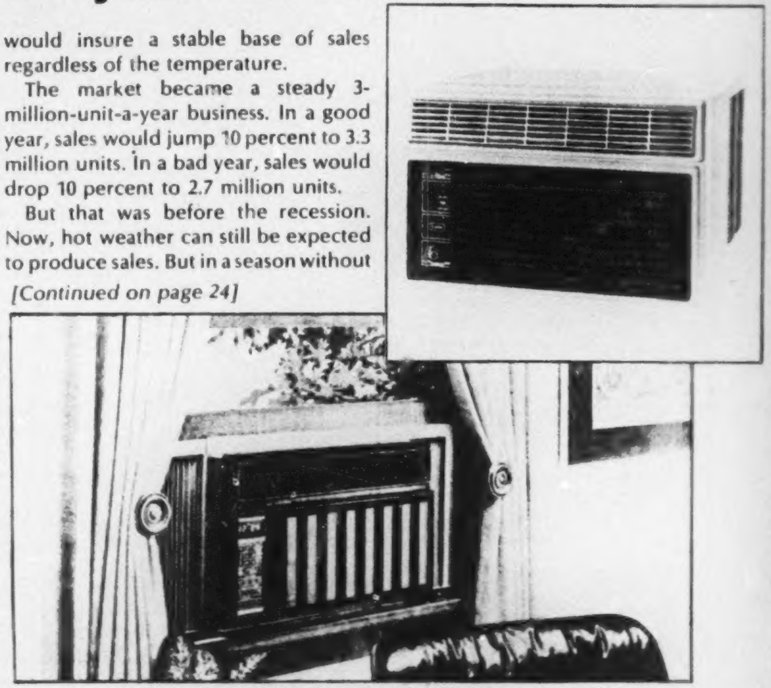
At retail, the room-air-conditioner market has always been a hit-or-miss affair, depending on the weather. During a hot summer season, sales are typically good. In an extended heat wave, sales are even better. But in a cool year, or merely a year without an extended hot spell, sales can suffer.

In recent past years, some manufacturers have said the room-air-conditioner business has become more stable, and thus more predictable. Because a high proportion of sales are replacements, these manufacturers reason that sales would hold up whether the season was hot or not—that replacement customers would insure a stable base of sales regardless of the temperature.

The market became a steady 3-million-unit-a-year business. In a good year, sales would jump 10 percent to 3.3 million units. In a bad year, sales would drop 10 percent to 2.7 million units.

But that was before the recession. Now, hot weather can still be expected to produce sales. But in a season without

[Continued on page 24]



Despite a depressed market, sales of high-efficiency room air conditioners increased in 1982. Top unit is by Carrier, **Write In 317.** Bottom unit is by White-Westinghouse, **Write In 318.**

Whirlpool offers D-I-Y guide

In response to an identified consumer need for do-it-yourself information, Whirlpool Corp. has published a repair manual (the first in a planned series) for its automatic washers.

The manual, which has easy-to-follow photographs and step-by-step repair procedures, is available to the consumer not only through Whirlpool parts distributors, and franchised Tech-Care service centers, but through appliance dealers as well.

The need for the do-it-yourself manual became apparent through the dramatic increase in the number of requests for do-it-yourself help from the company's Cool-Line, a telephone information service.

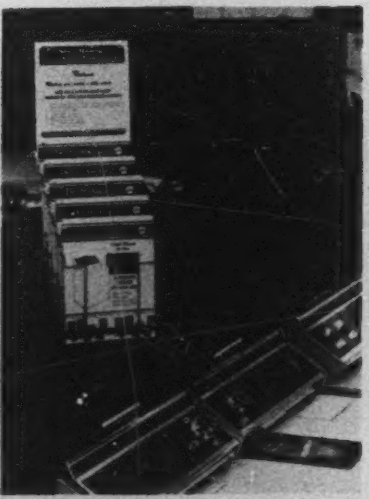
Whirlpool's Cool-Line, celebrating its 15th anniversary this year, is now receiving about 220,000 calls per year, said a company spokesperson.

And, she added, 39 percent of those calls are requests for do-it-yourself help, whether it be for repair instructions, parts information or information on installing.

Retailers, she said, have an opportunity to cash in on a growing consumer trend to fix things themselves in several ways.

For example, selling the manual, which lists for $7.50, may spur more over-the-counter parts sales for retailers who have service centers. Many service companies, the firm noted, report as much as 50 percent of their appliance parts are sold over the counter to consumers.

Retailers who have service departments have a competitive edge over mass merchandisers because they can provide service and help over-the-counter to the consumer which supplements the manual. ■



Whirlpool's new do-it-yourself manual can be sold at p-o-p or used as a premium by retailers when selling washers.

Housewares buyers eye first-half gains

"The first-half of 1983 should be ahead of the first-half of this year." That statement by Caesar Pettinato, small electrics buyer, Boscov's, Reading, PA, sums up the current feeling of a number of buyers . . . providing:

- Christmas comes as retailers have planned—or better;
- The economy gets strong enough to knock unemployment down.

Admitting 1982 business has been "tough," Val Walsh, vice president, B. Altman & Co., looks ahead with "cautious optimism." He pointed out that if interest rates continue to fall and the dollar strengthens here—at the time of our interview it was much stronger abroad—more people would be buying new homes and that meant more business for retailers of housewares.

For some merchants, as Irv Feuerstadt, merchandise manager, Polk Bros., Chicago, said: "It's too early to tell." He further noted that he gets his "feeling" for the first-half, as well as for what he'll be looking for at the January NHMA, based on the "momentum from Thanksgiving through Christmas."

In addition to economic factors, which certainly will be reflected in Christmas business, Feuerstadt suggested that the media and weather are important in first-quarter business.

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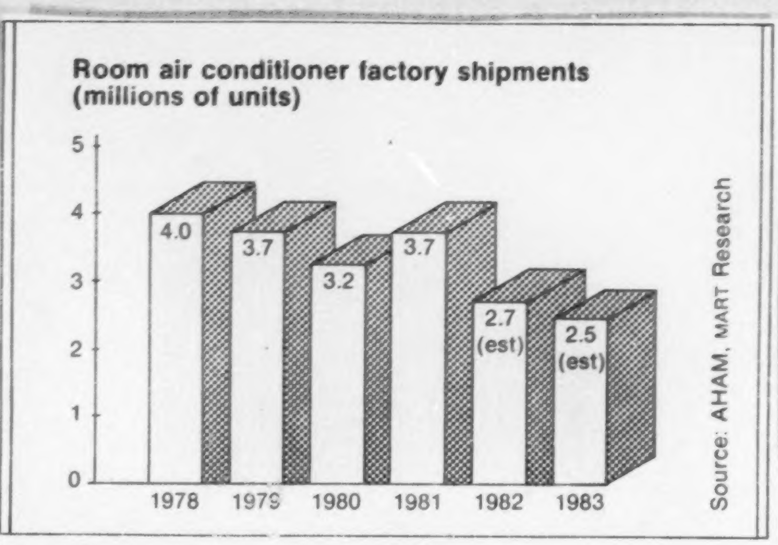
Room-air factory shipments fall, retail sales at lowest level in years



Room air conditioner factory shipments (millions of units)

Source: AHAM, MART Research

Size of room air conditioners purchased in 1981

Less than 5,000 Btu	10.8 %
5,000 to 5,999 Btu	20.5 %
6,000 to 6,999 Btu	8.2 %
7,000 to 7,999 Btu	7.7 %
8,000 to 9,999 Btu	9.4 %
10,000 to 11,999 Btu	8.4 %
12,000 to 17,999 Btu	15.2 %
18,000 to 23,999 Btu	11.9 %
24,000 to 29,999 Btu	5.4 %
30,000 Btu and over	2.5 %

Source: Whirlpool

[Continued from page 23]

a hot spell, the bottom falls out of the market. And that's what happened in 1982: the season never got started.

Factory shipments were slow in the early part of the year, and when hot weather never really developed, sales and shipments stayed slow. Dealers, who were ordering carefully to begin with, ordered almost nothing later in the year. And despite the drastic decline in factory shipments, retail sell-through was even lower: now a relatively large backlog of product is choking the distribution pipeline.

Through September, with most of the yearly shipments already made, factory shipments of room air conditioners were down 23 percent from 1981 levels. Whereas 3.3 million units were shipped in the first nine months of 1981, only 2.5 million units were shipped in the first three quarters of 1982. And retail sell-through was only about 50 or 60 percent, so more than a million units remain unsold.

According to Tom Murray, vice president of sales for Emerson Quiet Kool, retail sell-through was 55 to 60 percent in 1982, compared to 83 percent in 1981: "Between a million and 1.2 million units are currently in distributor and dealer inventory, compared to maybe 300,000 units at the end of last year."

Sales were said to be weak throughout the nation, and especially weak in New England and throughout the midwest. The southwest portion of the nation experienced a decline, but not as severe as in other areas.

The impact of the sales decline on manufacturers is obvious: with more than a million units in the pipeline already, retail open-to-buy will be severely curtailed next spring.

Chuck High, room air marketing manager at Carrier, feels retailers will have to eat a lot of 1982 inventory before they even start to think about buying in 1983. If 1983 is a normal sales year, he said, manufacturers won't have to supply very many units.

In fact, if more than a million units are now in the distribution pipeline, manufacturers will have to supply fewer than 2 million new units to meet normal demand.

And that is not the full impact of the product glut. In recent years retailers have shown a reluctance to order product early, waiting until March or April—or later—to place their initial order, instead of the traditional January or February. With so much inventory on hand, initial orders will in all likelihood be delayed even longer.

The depressed economy may have an additional negative impact on the room-air business: retailers may be less likely to hold pre-season sales.

In bad economic times, consumers are not as willing to make discretionary purchases. And room air conditioners are often thought of as a postponable purchase. Until the economy improves, sales can be expected to be more seasonal, with proportionally more sales when the weather turns hot.

Not all manufacturers agree with that assessment, however. Charles Marino, national sales manager for Friedrich, said that after a season like 1982, a great number of consumers may have deferred the purchase of a room air conditioner.

"A dealer who promotes aggressively in the spring will make sales, regardless of the weather. The pre-season market in 1983 could be ripe," he said. At the least, Marino added, pre-season promotion plants the seed in the consumers mind, and they'll remember where to shop when the weather turns hot.

A few positive factors do face the air-conditioner business in the next few years. As energy costs continue to climb, more and more consumers will be turning to models with higher energy efficiency ratios (EERs).

According to Marino of Friedrich, the market is experiencing a somewhat higher mix of high-efficiency models in the last few years, especially in geographic areas with high electric rates. In fact, he told MART, in the first half of 1982, for the first time more than half of all manufacturers' shipments had EERs of 7.5 or higher.

Other manufacturers, however, say that the increase in average efficiency may be merely a factor of those states that have legislated higher efficiency standards, rather than a change in overall consumer preference. But whatever the reason, average efficiency is increasing.

Because of the economy, as much as any factor, a downward shift has occurred in average air conditioner capacity as well. Customers over the last couple of years have been buying models with lower Btu capacity.

Price has definitely become more of a factor in the business: consumers are buying smaller units than in the past, because they don't want to pay for a larger unit. As prices continue to rise (and they will continue to rise), the average capacity will probably continue to decline. Consumers are determining how much they want to spend for an air conditioner and then are buying the best unit they can at that price, rather than deciding on the capacity they need and then buying a model with that capacity.

At least two factors in the market offer some additional encouragement to suppliers and retailers alike.

The first factor is that the market for replacement sales is continuing to grow. Literally tens of millions of room air conditioners that were installed in the 1960s and early 1970s will need to be replaced in the next few years. Manufacturers estimate that more than 20 million units 10 years old or older are now in operation in the United States.

Replacement customers represent about 50 percent of the total room-air-conditioner market. These replacement customers are generally more knowledgeable about the products they are looking for—they've owned an air conditioner before. They know the size they need, and they know how much they will use the unit. Many replacement customers step-up to deluxe units in the capacity size they need. On average, replacement customers buy more-efficient models than first-time buyers.

Replacement customers tend not to be impulse shoppers; they shop carefully. They are the most likely customers for pre-season sales and after-season clearance sales. For that reason, manufacturers are optimistic that retail sales will gradually and eventually be somewhat less seasonal. With a steady base of replacement sales, the market will gradually become less and less dependent on hot weather for sales.

Another factor that is expanding the room-air-conditioner market is the multi-unit household. Like replacement customers, these are knowledgeable consumers. They look for sales prices, and will wait for pre-season sales or clearance sales.

Over the last few years, manufacturers have noted that consumers in the Sunbelt who own central air conditioning have been shutting off their central units in favor of one or several room air conditioners to spot-cool specific areas of the home. According to Chuck High of Carrier, although it is virtually impossible to gauge the scope of this market, spot-cooling is a factor in the business that did not exist five years ago.

What can retailers expect in the room-air market in the years ahead? For one thing, the days of 5-million-unit sales a year are a thing of the distant past. For the next few years, manufacturers expect sales to average about 3 million units a year—with sales somewhat stronger in a year with an extended heat wave, and weaker in a cooler summer.

Buy-back plans, while still available, are seen as becoming less of a factor in the business. With dealers ordering later and more carefully, manufacturers are tailoring their production to meet the new retail realities.

For the long term, replacement sales, the growing number of multiple-unit households, and consumers who are converting from central air conditioning to room air represent a stable market. As prices continue to rise, dollar volumes will rise, as well.

But for the next year, manufacturers say factory shipments will remain depressed until the retail pipeline is clean. Retail sales can be expected to track along a normal sales curve in 1983, but factory shipments will not recover until 1984.■

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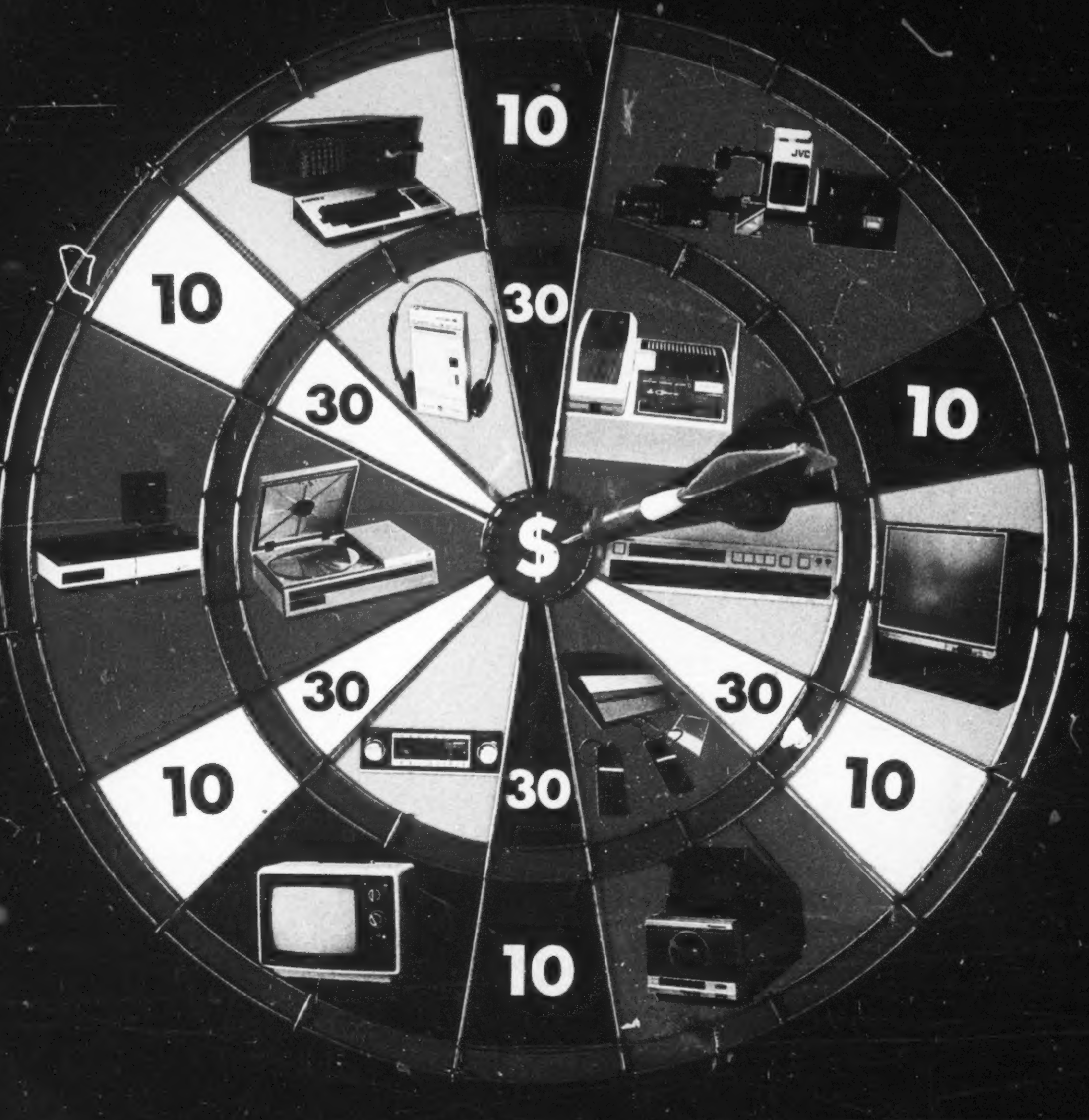
TARGET: '83 PROFITS



Winter CES Extravaganza!
VCR-Price Bloodbath: the Battle Rages!
Buying Groups' Best Bets for '83!

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Volume [illegible], [illegible]ber 5

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MART (USPS-854-280)including Electrical Dealer, is published monthly by Morgan-Grampian Publishing Co., 2 Park Avenue, New York, NY 10016, (212) 340-9700. Second Class postage paid at Crystal Lake, Il. 60014. Subscription rates: $30 per year in the U.S. $42 all other countries, airmail $84. Single copy, U.S., $3: all other countries, $6. Publisher reserves the right to accept or reject any subscription. Microfilm copies of complete issues or reproductions of individual articles from microfilm prints can be obtained from Xerox University Microfilms, Ann Arbor, MI 48109.

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Change of address: Send to Circulation Manager, MART magazine, Berkshire Common, Pittsfield, MA 01201. Postmaster: Send form 3579 to Circulation Manager, MART magazine, Berkshire Common, Pittsfield, MA 01201.

Executive officers of Morgan-Grampian Publishing Co.: Domenic A. Muchetti, President; William J. Adams, Vice President, Pittsfield Operations; John Beadell, Vice President, Circulation Systems; Charles Benz, Controller.

Game-software firms play for high stakes . . .

Knock-down, drag-out time is here, as suppliers scramble for shelf space

The knock-down, drag-out fight is here. The video-games-software industry turned into a big business last year—cartridge deliveries were estimated at 70 million pieces from more than 20 suppliers, and revenues at $1 billion—as manufacturers scrambled for retail shelf space.

Heavy competition put a crimp in Atari's style—and its stock, as parent Warner Communications' stock plummeted more than 16 points in two days—and Atari fired its computer-products division president, Perry Odak.

Atari attributed its fourth-quarter slump to cancellation of retailer orders, which the firm hadn't expected, and stepped-up competition, also a surprise to the company, according to Warner executive Manny Gerard. Reportedly, Atari's cartridge market share has fallen to only 55 percent, and sales of its "E.T." and "Raiders of the Lost Ark" games have not met expectations.

Coleco and Mattel also suffered sharp stock-price drops, and Mattel at presstime expected fourth-quarter losses due to increased software competition. Imagic announced that it was delaying the public offering of its stock, originally planned for shortly before Christmas, until sometime early this year because of the unsettled market conditions in video games.

And there's more competition ahead. Major film studios and high-tech firms jumped into the field—including CBS Video Games, Sega/Paramount, Fox Video Games, and Thorn EMI—with a store of as-yet-unreleased "hot" properties to be made into video games.

The motion-picture companies are counting on the advertising support for their movies to provide a boost for games based on the same characters and/or themes.

Leading game firms arrived in force in the video-games area last year—including Parker Brothers (owned by General Mills, a $5.5-billion company) and Coleco—with licensed cartridges for leading hardware contenders Atari and Mattel's Intellivision (and in Coleco's case its own video-game console). The hardware base grew tremendously in 1982, with the Atari VCS alone now in more than 10 million homes, which industry observers say will give an incredible boost to cartridge sales in '83.

Major firms have entered this lucrative market, and it's clear they have the financial resources and marketing and distribution strength to play for high stakes.

And most companies have already announced plans to enter into an area they expect to be even bigger eventually than video games—home-computer software.

Last year reflected the high stakes involved in the newly competitive games business, as Imagic became the first third-party software supplier to announce plans for a public offering of its stock, and Games by Apollo became the first independent games supplier to file Chapter XI.

Apollo's troubles underscored the industry's new reality—1982 was the first year that retailers couldn't sell all they could get. Apollo was too optimistic about market potential for its games and overshipped, according to industry observers. The games languished on retail shelves.

Apollo games weren't the only ones that didn't sell through—reportedly Atari over-produced "Pac-Man," and at Winter CES Atari is announcing it will package two games with every new VCS sold—"Combat" and "Pac-Man." According to other industry sources, Atari is moving a large share of its older inventory—including some of its older sports games—at reduced prices to the trade, which should increase the cartridge supply on retail shelves.

Atari's new cartridges include "Vanguard," an arcade game, "FireWorld," "Ms Pac-Man," (both available in February) and, for March delivery, "Centipede" and "Galaxian," both arcade games, and "The Dukes of Hazard."

The company is also showing its line of educational cartridges for children, developed in conjunction with the Children's Television Workshop, the producers of "Sesame Street." The five games use characters from "Sesame Street," and are not expected to retail for more than $12.

The ability to move product off retail

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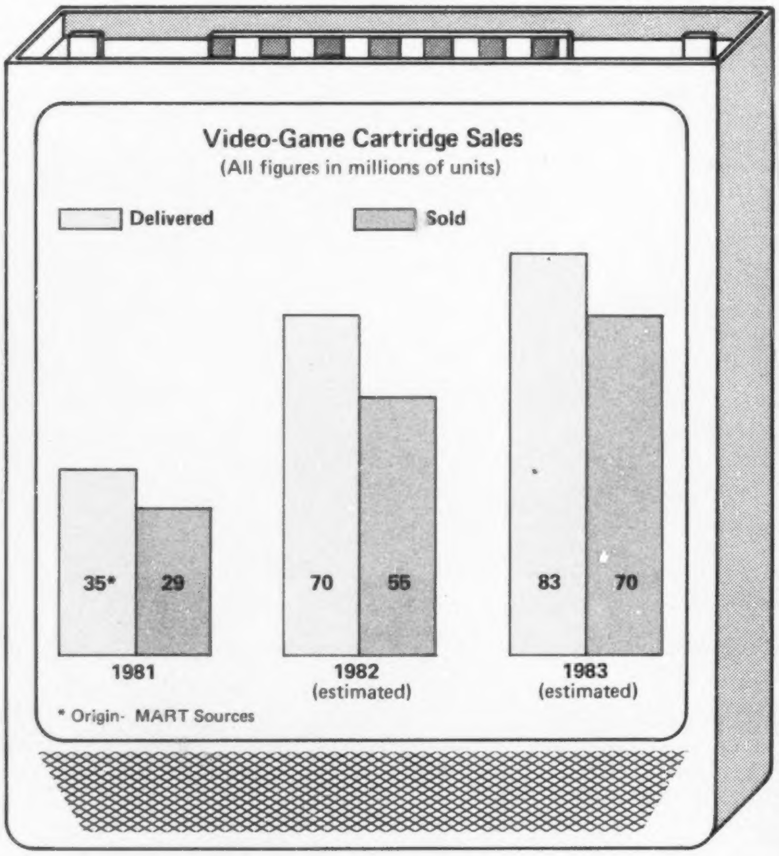

. . .as computer-game suppliers plunge into the fray

Computer-games industry set on explosive track with licensing, major entrants

What happened in video games is going to happen in home-computer games. At least, that's the view of powerhouse game companies, worldwide entertainment conglomerates, home-computer-hardware manufacturers, and top-dog, third-party game-software firms, as they all jump into the computer-games field at this month's Winter Consumer Electronics Show.

They're initially pointing their big guns at a small, moving target. Total home computer sales were estimated to reach the 1.7-million mark last year, with this year's hardware sales expected to reach 3.5 million units.

The companies say they're setting their sights on the potential—rather than current—market for computer software, which they expect to far outpace video games by the mid-1980s. And falling home-computer-hardware prices, they believe, will fuel even faster growth in the software fields. Many suppliers licensing computer games from the smaller, independent software companies in order to break into the field.

Home Computer Software
SOCCER
SOCCER

'Soccer' is one of Thorn EMI's 19 games for Atari's 400/800 models. **Write In 945.**

Major suppliers are concentrating on turning out ROM cartridges, which are less easily pirated than disk or tape. In addition, most owners of low-cost home computers have yet to buy a disk-drive, which costs more than the computer console itself.

The older (circa 1979) established computer-game suppliers—such as Epyx, Sierra, On-Line Systems, and others—who have quietly turned out games on disk for the Apple II and Radio Shack for the past few years, are either jumping into or expanding their ROM-cartridge production, and in some cases are distributing to non-computer specialty outlets for the first time.

At presstime, Thorn EMI, Imagic, CBS Computer Software, Fox Video Games, and Parker Brothers were expected to join the smaller companies and computer-game start-ups, such as Tronix, in displaying their computer-game wares at Winter CES.

"We are a games-and-entertainment company, and we have been in this business for 99 years," said Parker Brothers' vice president of consumer electronics, Rich Stearns. "We are announcing our entry into home-computer software in 1983. We believe home-computer games are a natural continuum of the video-games industry. Video games are just a transitory step to home computers—they're really part of the same market."

Stearns projected that the installed-home-computer base will reach 4 to 5 million units by the end of this year.

"A lot of trading up from video-game consoles to home computers goes on," he noted. "A year ago people were asking 'What do you do with a home computer?—' the number-one reason consumers buy home computers today is for the entertainment.

"The home computer is the tool for a

[Continued on page S-7]

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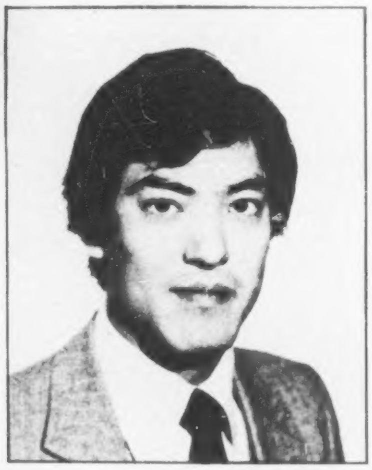
Game-software firms play for high stakes . . .

> *'It's going to be a real battle—hand-to-hand combat during the next six months in the video-games industry. It's going to take a hell of a lot of money to stay in the game. I wouldn't want to start out with anything less than $10 million.'*

[Continued from page S-6]

shelves will determine who gets shelf space this coming year. Game buyers unpacking their bags in Vegas hotel rooms know that the big gamble is not in the casinos, but on the CES floor.

Buyers will most likely back the established independent software suppliers—who are spending millions on advertising to help assure retail sell-through—and new entrants such as the film studios and TV networks which plan to spend sizeable sums—sometimes as much as $3 to $4 million per cartridge introduction—to develop and advertise their video games.



New game warrior: ***CBS****'s Rob Hunter is 'looking forward to the fight.'*

Industry observers feel that some of the smaller, newer, independent software suppliers may not be able to marshall adequate financial resources—reportedly some firms are seriously under-capitalized—to break into major retail distribution and sell the games through.

Video-game cartridges this year should become more complex and feature expanded game play, as suppliers incorporate such technology as memory-bank switching in order to offer 8K ROM cartridges for the Atari VCS, (rather than the usual 4K games). Sound and graphics will also become more sophisticated. Several suppliers are offering games that feature different "scenarios."

"It's going to be a real battle—hand-to-hand combat during the next six months in the video-game industry. I'm looking forward to it," said Rob Hunter, CBS Video Games vice president. "It's going to take a hell of a lot of money to stay in the game. I wouldn't want to start out with anything less than $10 million."

The company, which has the home video and computer rights to Bally's games in development now and over the next four years, is showing two new Bally-originated games—"Solar Fox" (which has been released to the arcades) and "Blueprint," a memory-maze game.

"We intend to release 12 games this year, and currently we have in excess of 20 more in development," Hunter said. But, he stressed, the firm will only release its strongest games: "It's very clear to me that some companies have released games that should not have come out.

"Maybe there're about 150 games for the Atari VCS," which some say are too many, Hunter continued. "But I take the opposite approach. Not enough *good* games are available." CBS Video Software is currently working on making VCS-compatible cartridges with 10K ROM memory for expanded game-play value.

CBS will ship its first Intellivision products possibly by March, and evaluate other systems, including home computers. The company launched a $3-million ad campaign December 20, which will last until the 20th of this month.

The firm has also signed John Madden, the former football coach of the Oakland Raiders and commentator for CBS Sports, as spokesman for its software line.

Parker Brothers has launched a full-scale assault on the video-games business, which Rich Stearns, vice president of consumer electronics, termed a significant "cultural change, not a fad." The company plans a $30-million ad campaign backing its cartridges in 1983, and has already spent $4 million to promote its Frogger game.

Each cartridge introduction will be heralded by its own TV commercial, Stearns pledged, as well as by a print campaign and network line commercials.

Sterns estimated that the home video-game-software industry totaled $1 billion in 1982 and, together with arcade receipts, and home hardware sales, reached $10 billion, "which is three times as large as Hollywood's revenues." At least 4 to 5 million Atari VCS consoles were sold in 1981, and Stearns projected that another 4 to 5 million would be bought by the end of 1982.

At presstime, Parker Brothers estimated that its video-game software sales reached the $75-million mark by the end of 1982; the firm expects total sales (including computer games) to triple this year.

Parker Brothers' licensing acquisitions include the "Star Wars" movies—and it releases this month "Jedi Arena," based on the original film. The company will greet the newest "Star Wars" film sequel, "Return of the Jedi," slated for May theatrical distribution, with a third and later a fourth game cartridge.

Other properties acquired by Parker to be turned into video games are the James Bond, Strawberry Shortcake, GI Joe, Spiderman, The Incredible Hulk, and "Lord of the Rings" characters. The firm also has licensed arcade games "Amidar" and "Reactor" for home sale.

Parker Brothers will introduce its computer software lineup at the Summer Consumer Electronics Show and market the products later in the year.

"We are going to be a major player in this market," pledged David Rosen, president of Sega Enterprises, which is owned by Paramount. The company plans to ship its first two titles during this month and in February.

Sega/Paramount plans to draw upon the licensing muscle of both companies—Sega as a supplier of arcade games, (with arcade games such as Zaxxon, Turbo, and Carnival already successfully licensed to other home video game marketers) and Paramount's film and television titles. The company will release "Mission Impossible" games based on the TV series.

Rosen believes this year will begin a shakeout and the development of a two-tier pricing—made up of low-cost price points as the result of some dumps, and the quality market, cartridges of above $20.

Rosen feels the home market offers designers the chance to expand game play to 15 to 20 minutes, allowing the development of "procedural" video games—or games with a series of scenarios. Sega/Paramount will also be developing computer-game software for Commodore's VIC-20 model.

Even as the powerhouse studios and toy companies fought licensing-fee wars to make inroads quickly into the video games companies, third-party software industry leaders Imagic and Activision questioned the importance of licensed software for ultimate sell-through.

"Our belief is that a number of unsuccessful licensed games will be released this year," said James Goldberger, Imagic vice president.

"We're not saying that if we were in a position to obtain the next 'Pac-Man' we would turn it down, but it's great game play and realistic graphics that determine the success of a video game."

Added Activision President Jim Levy, "Ultimately, licensed product will come to represent a minor part of this business."

Activision's newest games on display at Winter CES for first-quarter delivery include "River Raid" and "Seaquest."

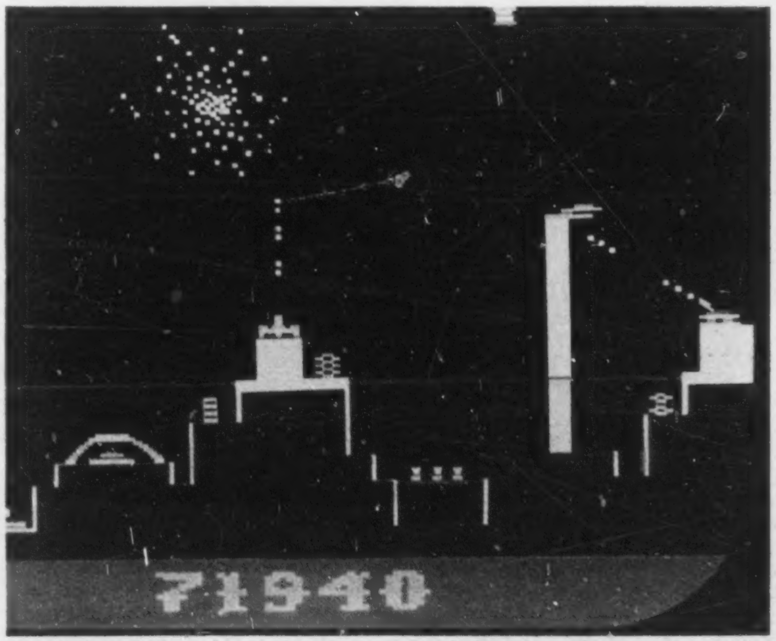
Whether it's licensed or unlicensed video-game cartridges, the video-games industry has become more competitive and demands greater resources, said Mattel's senior vice president of marketing, Peter Pirner.

"Software is beginning to exhibit some of the characteristics of the bestseller syndrome," he said. "You get a lot of sales activity for a short period of time. The probability of a smaller company being able to market a bestseller or pay the royalty and licensing fees for a hot property is slim."

At presstime, Mattel was planning to introduce at least 12 new cartridges at Winter CES—some of them licensed games. The Intellivision system hardware, and thus Intellivision-compatible cartridges, are also expected to gain in popularity this year because of the introduction of Mattel's new, lower-priced console, and its distribution through Radio Shack stores.

"Our agreement with Radio Shack provides new, totally different distribution opportunities that don't compete head-on with current distribution," Pirner said. "It gives us expanded coverage in some of the smaller markets." ☐

Hope Heyman
Managing Editor



Imagic execs feel graphics and game play—as in 'Atlantis'—are key to success. **Write In 901.**

Personal-computer mass market is here

. . . but can the Japanese be far behind?

New companies, new products mark home computer's elevation to mass-market status

The home-computer revolution has arrived—and it's currently on display on the floor of the Winter Consumer Electronics Show. Major suppliers are rushing to introduce new, low-cost computer models to round out their lines, as computer sales are expected to break the 4-million-unit mark in 1983, and pose serious competition to video-game consoles.

And at the back of American manufacturers' minds is the concern that the Japanese suppliers jumping into the under-$400 and even under-$200 fray will do in computers what they've done in the entire consumer-electronics field—dominate it.

Mattel Electronics is introducing two computer products at Winter CES, after a long history of an inability to bring its original Intellivision computer keyboard to market. The company reportedly is offering a stand-alone, under-$200 computer with up to 52K memory and built-in BASIC. A 40-column thermal printer and cassette recorder are due out in the spring.

The plug-in computer keyboard for Mattel's Intellivision game is expected to retail in the $150 range, and will be shipped during the second quarter. Mattel's computer products will be sold under the name "Aquarius."

Commodore, which was expected to sell 1 million of its VIC-20 computers by the end of last year, according to the company, is not "abandoning" the model at the Winter CES, contrary to speculation in the industry, said Kit Spencer, vice president of marketing. "Everyone seems to be talking about our doing this but us," he noted.

"Computers are taking away the noise from audio and video," Spencer said; he projects that industrywide sales for '83 will be in the 5-to-10-million-unit range.

"The home computer is still on an explosive growth curve," he said. The company, which is said to have spent $25 million advertising its VIC-20 model in 1982, may spend as much as $50 million this year, Spencer admitted.

Timex had shipped 600,000 of its computers by year-end. **Write in 941.**

Commodore—which in the past was scored for insufficient dealer and consumer support of its PET computer line—has changed its ways, Spencer told MART. "Please judge us by what we are doing now," he said. "Our user support is excellent." The company offers a free membership to VIC-20 purchasers to CompuServe, a remote database service, and answers questions left on a CompuServe "VIC hotline."

Commodore is showing new software for its VIC-20 and Commodore 64 computer models, including a new line of "Easy" software, and business software for the home and office for under $100. The company is also showing new VIC-20 games. A "Gortek" program designed to introduce first-time users to computers is available for the 64 and VIC-20 models.

Also new from Commodore is a 13-inch color monitor, which marks the company's entry into this business. The company is also broadening its line to include a $1,000 128K RAM computer for distribution to computer stores.

Commodore is announcing at the show it's expanding the distribution beyond computer specialty stores for its 64 model, which the company said sold 65,000 units from mid-September through the beginning of December, and may have hit 100,000 units sold by the end of 1982.

A new printer on display at the Commodore booth is the 1520 printer/plotter, able to reproduce graphics, which uses 5-inch paper.

By the end of 1982, Timex had shipped 600,000 Timex/Sinclair under-$100 computers in the U.S., according to Timex Vice President Dan Ross. At presstime the company was manufacturing at the rate of one every 10 seconds, and planned to up that rate to one every seven seconds, Ross told MART.

At Winter CES, the firm is showing a printer and modem for its computer, each listing at $99.95. The printer was slated to be delivered starting in December of last year, and the modem is scheduled for first-quarter delivery.

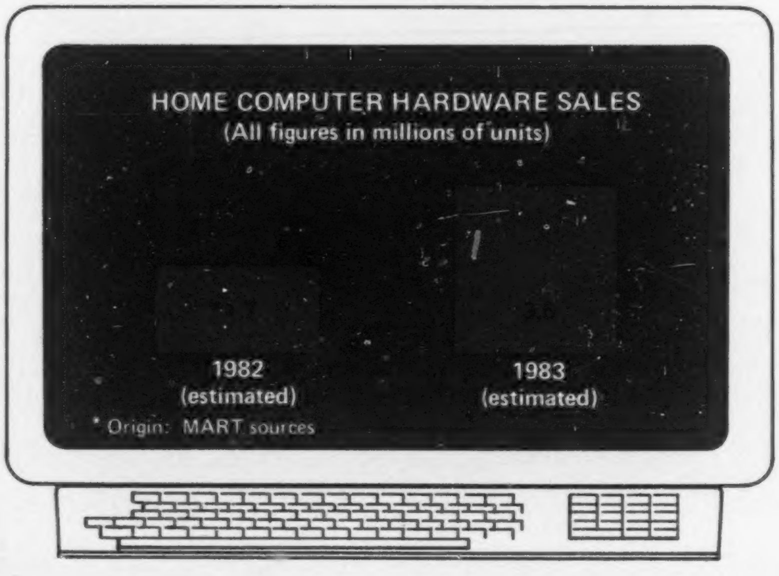
Timex had decided to release no information about its Winter CES introductions before the show, but Ross said, "you ain't seen nothing yet," and indicated that major announcements were planned.

The company will double its cartridge offerings, he said, and continue with an aggressive national ad campaign Ross characterized as "equal or greater than anyone else's in the industry and featuring substantial TV advertising."

As computer-hardware prices shrink, suppliers are introducing new models at lower price points. Texas Instruments' new home computer on display at the show is described as an entry-level learning computer. Software for the new model can be used on its older TI-99/4A computer, which remains in the line.

At the upper end, Texas Instruments is also entering the market which Hewlett-Packard just joined—the scientific pocket computer aimed at technical people who are fast abandoning the scientific calculator for the hand-held computer. The new computer is 1½ inches thick and is expected to be sold through Texas Instruments' calculator dealers.

Atari's newest computer—the 1200XL—features 64K RAM memory and 12 user-fuction keys, including a help-and-diagnostic key. The unit is compatible with Atari 400/800 software and is able to use their peripherals. The cost is more than the Atari 800, a company spokeswoman told MART, but under $1,000.



The computer has integrated-system cosmetics, and all peripherals will feature the same "look." Atari also is introducing two new printers, a 40-column model capable of printing text and graphics for $299 and an 80-column, dot-matrix model for $549.

The maturing of the home computer into a full-fledged mass-market product has attracted new names to the field—some of them Japanese—who are showing their game/computers at Winter CES.

Atari's new 1200XL computer can use Atari 400/800 software. It is priced at under $1,000. **Write in 940.**

Ultravision's Taiwan-made game/computer, scheduled to bow at the Winter CES, features a 10-inch color monitor, TV tuner, and direct audio/video input-outpact jacks; it is scheduled for March arrival on store shelves.

The company is also introducing Ultravision game cartridges and Atari-compatible game software. The system is said to be compatible with the Atari VCS line of software with the addition of an expansion module. Due later from the company are a computer keyboard and computer peripherals. Suggested retail is under $500.

Spectra Video—which already offers Atari-VCS compatible software—is entering the computer-hardware business at Winter CES. The computer is priced at $299.95 for a 32K RAM unit (expandable to 144K), built-in Microsoft BASIC, a built-in joystick, and game-cartridge slot.

It is available with 15 hardware accessories and 100 software programs the firm says are immediately available. The unit is CP/M-compatible, and therefore able to run a variety of CP/M-based programs, according to the firm.

In the under-$100 computer area, Video Technology is showing a 3K RAM with built-in BASIC with expansion up to 64K.

After years of waiting for the Japanese to appear on the computer scene in force (NEC's entry into the higher end of the personal-computer industry didn't meet its sales expectations), Japanese home-computer manufacturers are showing their first products at this month's Winter CES.

Panasonic—which is looking to fatten out declining video-cassette-recorder margins with computer products—is displaying its new low-cost home computer, JR-200, which features 32K RAM memory and built-in BASIC. The computer does not use ROM cartridge software, which some industry observers feel presents a disadvantage in the home-computer area.

Other Japanese suppliers at Winter CES include Tomy Corp. and Sord; NEC may introduce an under-$400 computer later this year.

And Korean manufacturers Gold Star and Samswing will test retail reaction to personal computers at the show.☐

HOPE HEYMAN

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Gas grills now hot numbers year-round

Sales pass 2 million units, the average price paid jumps, and accessory sales grow, too

The gas grill has quietly become the fastest-growing cooking appliance in the industry: more gas grills will be sold this year than gas or electric ranges.

And while microwave-oven sales slumped in 1982, sales of gas grills were up. Despite the depressed economy, sales and shipments of gas grills increased appreciably in 1982.

According to figures supplied by the Barbecue Industry Assn. more than 2 million gas grills were shipped and sold in 1982, up from 1.7 million units in 1981. (The association includes table and stand-up models in its sales estimates.)

But individual gas-grill manufacturers disagree about the size of the gas-grill market and the value of the unit shipments.

The Barbecue Industry Assn. estimates the value of the estimated 2.04 million units sold at $216.5 million, or under $110 per unit.

Other estimates place the value of the gas-grill market closer to $400 million, or about $200 per unit. And still other sales predictions fall somewhere in between. A logical compromise estimate would place the business at about $300 million, or $150 per unit.

Rod Sieck, vice president-marketing for Locke Stove Co., told MART the vast majority of units sold in the market today are at price points between $99 and $249.

"The key price points are $99 for a low-end unit, $149 for the mid-line, $199 for a step-up model, and $249 for a well-featured model," Sieck said. He estimated that the average price paid at retail is around $150.

Sieck believes 1.8 million gas grills were sold in 1982, and expects the market to grow to more than 2 million units this year. He feels the retail mix of the gas-grill business has not changed appreciably in the last few years.

Sieck's estimate of the industry sales breakdown is 27 to 30 percent sold through private-brand mass merchandisers, 21 to 22 percent through mass-merchandising discount department stores, about 17 percent through appliance retailers, 13 percent through home-center stores, and 12 percent through LP gas outlets.

Other sales estimates are somewhat different. Figures supplied by Arkla Industries indicate that the gas-grill industry produced and sold 1.4 million units in 1981. The firm projected sales of 1.6 million units by year-end 1982, and expects 1.76 million units to be sold in 1983. It will be 1985, Arkla estimates, before sales will reach 2 million units. The average price paid at retail in 1981 was $120, according to Arkla research.

According to the Barbecue Industry Assn., sales in the second half of 1982 were surprisingly strong. Sales had been projected to reach 1.79 million units in 1982 as of late August.

Why were sales stronger than anticipated? The federal tax cut at mid-year put a few more dollars of spendable income into consumers' pockets. But the economy stayed weak, so many consumers cancelled vacations away from home. With more people opting to entertain at home rather than eat out in restaurants, the grill became a logical purchase for home entertainment.

Sieck of Locke Stove said the last few years have seen a broadening of the demographic profile of the gas-grill consumer. Consumers are both younger and older than in previous years, and household income is not as high as it used to be. The gas grill is a product associated with men—in the majority of barbecuing households, the male does the outdoor cooking.

Technically, the gas-grill market consists primarily of first-time buyers. Market saturation of gas grills is estimated at about 12 percent of U.S. households. Only about 10 percent of sales are thought to be actual replacements of gas grills.

But most first-time purchasers have owned a charcoal grill of some kind before purchasing their gas grill. In effect, these consumers are graduating to a gas grill. They know something about outdoor cooking, and are looking to escape some of the cost and inconvenience of charcoal cooking.

Market saturation of grills is estimated at more than 77 percent of the 80-million-plus U.S. households. Manufacturers expect that over the next few years the proportion of gas-grill sales will grow as a share of the total grill market. By 1985, it is estimated, one out of every five grills sold will be a gas grill, and household market penetration will have grown to nearly 22 percent.

Along with the growing consumer base, gas-grill sales are becoming somewhat less seasonal. Gene McGuire, Charmglow's vice president of marketing, feels the season is growing on both ends. A definite pre-season market exists, along with sales opportunities in the fall and Christmas as well. "Our products are featured in a number of leading Christmas gift catalogs," McGuire said.

Barbecue Grill Shipments

	1981		1982	
	Units	Dollars	Units	Dollars
Charcoal	10,229,045	$122,582,391	10,778,969	$132,406,403
Gas	1,737,351	$183,476,221	2,043,508	$216,493,348
Electric	109,220	$4,829,638	89,998	$4,277,137
Total	12,075,616	$310,888,250	12,912,475	$383,176,888

Source: Barbecue Industry Association

As the replacement market begins to grow, more and more consumers will take advantage of pre-season sales and after-season clearances. But in the meantime, more than 60 percent of all retail sales are still made in the four months from mid-March to mid-July.

Also, as the market matures, the product mix continues to shift upward. As the number of gas-grill-replacement customers grows, more and more consumers will step up to more full-featured models. While suppliers disagree about the average price paid per unit, they unanimously agree that that average price is rising.

The rise in average price paid is seen both as an upgrading of product mix, and as a factor of rising prices.

Sales have held up in all areas of the country, despite the economy. But unlike some of the so-called "lifestyle" consumer products, gas grills are not strongest in the West, but in the Northeast and Midwest.

According to Bob Senn, vice president of marketing for the Structo division of the King-Seeley Thermos Co., "Sunbelt people have too many other things to do—it's in the 'snow belt' that 75 percent of gas grill sales are made."

Marketing executives agree that intention-to-buy is also higher in northern climates than in the sunbelt. One explanation given is that gas grills actually extend the barbecue season in cold climates: whereas most consumers would be reluctant to use a charcoal grill in winter, the gas grill is generally used year-round.

With both unit sales and dollar volumes on the rise, the outlook for the gas-grill business is extremely upbeat. Sales are expected to continue to grow by at least 10 percent annually for the next several years.

An added bonus to the market is the accessory business. More than 10 percent of the dollar volume in the gas-grill business come from such items as lava rocks, redwood shelves, rotisseries, and grill covers. Retailers are finding that accessories are much less price-sensitive than the grills themselves, and gross margins on grill accessories are much higher (in the range of 40 percent) than for grills (which typically run in the mid-20s). ☐

John Foster
Senior Editor

Litton's Johnstone sees 10 - to 15-percent gain in the microwave-oven market in 1983

The market will grow by 6 percent even in a flat economy, he feels; average price drops below $380

Based in part on anticipated lower consumer interest rates and higher levels of consumer spending, and in part on the anticipation of retailers ordering and carrying more inventory in the spring, the market for countertop microwave ovens will rebound in 1983.

Don Johnstone, vice president of marketing at Litton Microwave Cooking Products, feels sales and shipments of microwave ovens will increase by 10 to 15 percent in 1983, to 4.25 million units. "And even if the economy is flat," Johnstone told MART, "the microwave-oven market would expand by 6 percent or more."

Through October, 1982, sales and shipments of microwave ovens were running at a level of 10 percent below 1981.

Johnstone described a dramatic shift in product mix in the microwave-oven market in the last year. The over-$400 countertop microwave oven is much less of a factor in the business than it used to be, he said: "We feel $349 and $399 are probably the key price points, and we're seeing an increase in models with touch controls advertised at $299.

"The average price paid for microwave ovens declined by $15 or $20 in 1982, to about $379," Johnstone said. "That's a dramatic decline, when you remember that in 1978 the biggest sellers in the industry were the top-end models at $649."

Johnstone said a slight shift has also occurred in the retail market in the last year or two. Sales are proportionately somewhat heavier in mass-merchandising department stores, he said.

"The microwave-oven market is becoming more like the television business," Johnstone told MART. "It's becoming more of a cash-and-carry business. Today consumers don't need demonstrations at the point of sale. Two out of three consumers know what they want to buy before they get to the store. We're finding that consumers are now more interested in cooking lessons and demonstrations after the purchase of their oven, not before."

But microwaves are still a growth business, he said. Appliance retailers who are promoting the product are still doing very well, and the market is just starting to show some of the aspects of maturity.

Johnstone estimates that current market saturation of microwave ovens is around 25 percent. Within the next 20 years, two out of three households will own a microwave oven. And by 1990, he predicted, more than 50 percent of all households will own one.

'We feel $349 and $399 are probably the key price points:' Johnstone.

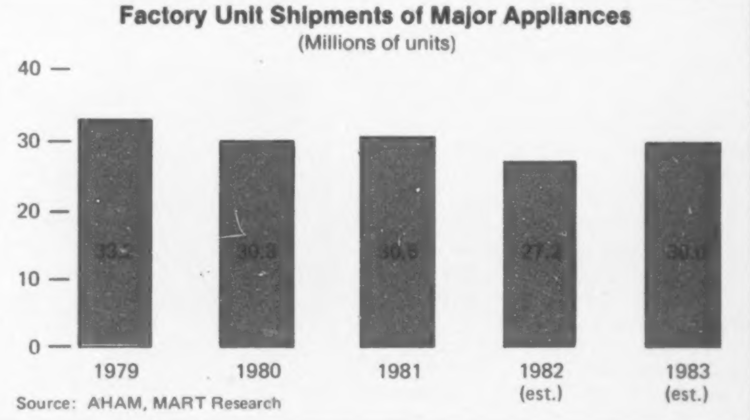
While the depressed economy has had an obvious effect on the microwave-oven market—both in terms of units sold and average price paid—Johnstone does not expect that product mix will ever again reach the high-end levels of the pre-recession years: "People have changed their attitudes about some high-end features. While some people do just about all of their cooking in a microwave oven, many others use it primarily for reheating or defrosting, and they just don't need top-end features on their microwave ovens."

Johnstone expects the microwave oven to eventually stabilize as a five-million-unit-a-year product category.

One disappointment in the market over the last few years has been the growth of the combination microwave range. Years ago, manufacturers had predicted that microwave ranges would become a million-unit-a-year business. But Johnston feels sales in 1982 were off by 33 percent, amounting to only about 200,000 units. And he believes the combination-range market may never grow above 500,000 units.

"The fast saturation gains in the countertop market, and the growth of the over-the-range market, have cut into the combination business," he said. "And sales of single-cavity microwave ranges have been a disaster." ☐

JOHN FOSTER



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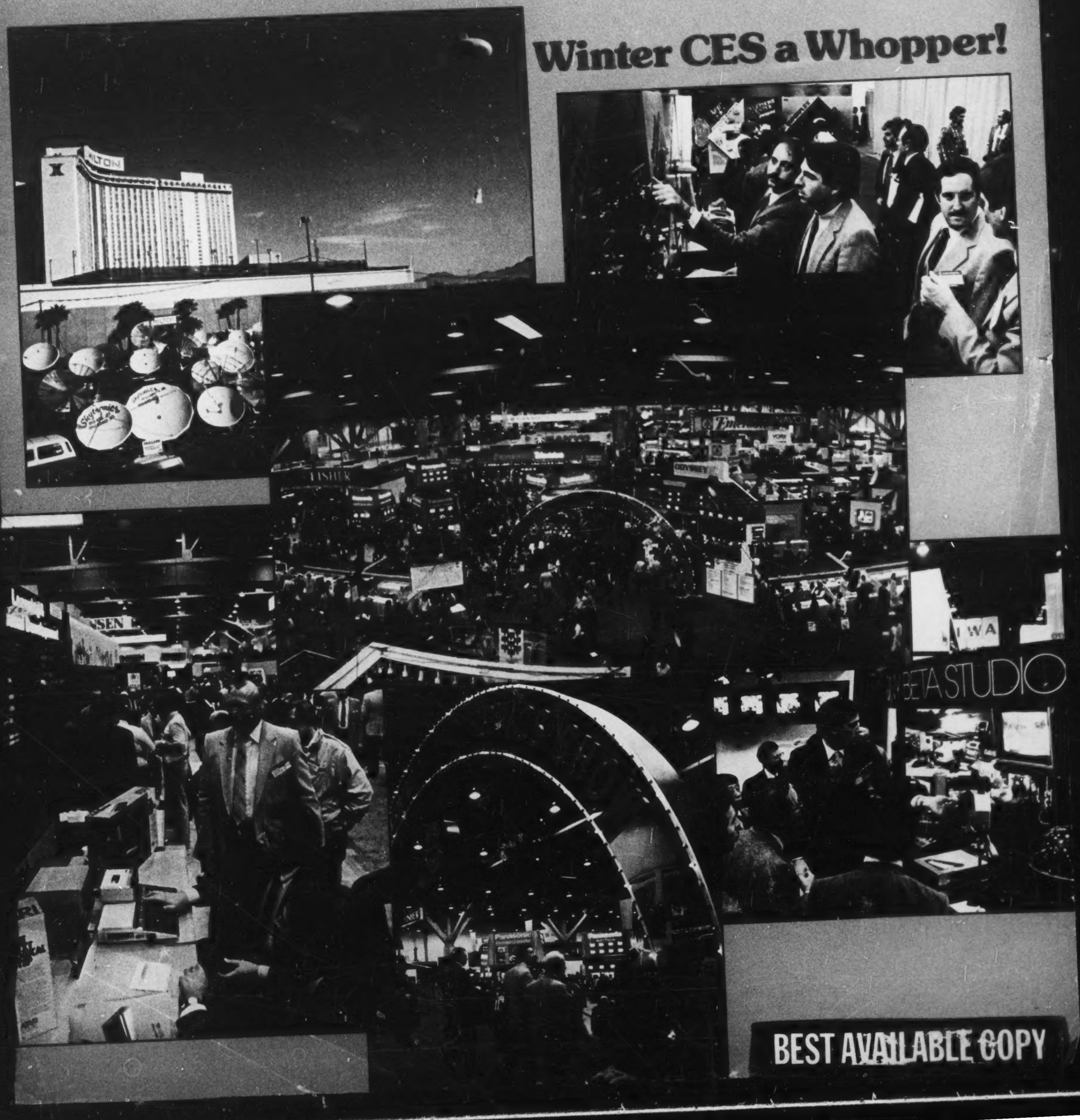
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ESTABLISHED 1953

February 1983

30 years of service to the retailer

Volume 29, Number 6

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Cover photographs shot at Winter CES by Stan Einzig

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MART (USPS-854-280)including Electrical Dealer, is published monthly by Morgan-Grampian Publishing Co., 2 Park Avenue, New York, NY 10016, (212) 340-9700. Second Class postage paid at Crystal Lake, Il. 60014. Subscription rates: $30 per year in the U.S. $42 all other countries, airmail $84. Single copy, U.S., $3: all other countries, $6. Publisher reserves the right to accept or reject any subscription. Microfilm copies of complete issues or reproductions of individual articles from microfilm prints can be obtained from Xerox University Microfilms, Ann Arbor, MI 48109. © Copyright 1983, Morgan-Grampian Publishing Co. ALL RIGHTS RESERVED, including reproduction of this magazine in whole or in part. **Change of address:** Send to Circulation Manager, MART magazine, Berkshire Common, Pittsfield, MA 01201. Postmaster: Send form 3579 to Circulation Manager, MART magazine, Berkshire Common, Pittsfield, MA 01201.

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Game/computer line gets narrower

More video-game suppliers now offer computer software . . . and vice versa

The current glut of video-game titles and suppliers may have made some Wall Street investors nervous in the weeks before Christmas, but retailers at last month's Winter Consumer Electronics Show showed few signs of hesitation as they flocked to the game-software exhibits at the Convention Center.

Most game suppliers drew heavy crowds, with the throngs drawn in part by many of these firms' imminent moves into the computer-software field. Now that the business is not all fun and games, more and varied retailers are considering moving into this category.

And the field is booming. This year, 70 million game cartridges should be sold to dealers, according to the Electronic Industries Assn.'s Consumer Electronics Group.

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Phones take off at Winter CES

The phone industry is hopping with excitement generated by 1983's potential market

Wow! What a splash telephones made at this year's Winter Consumer Electronics Show in Las Vegas. The number of telephone suppliers exhibiting at the show jumped almost 50 percent over last year's winter show.

More and more manufacturers are jumping on the bandwagon as they realize the potential dollar volume telephones can bring in. And why not? The market is wide open. Both manufacturers and retailers have a chance of reaching 80 million households and 7 million small businesses.

The deregulation of AT&T, of course, plays a major role in the flurry of phone buying as well, as more and more consumers, through American Bell's national advertising campaign, are becoming aware that they can now own their own phones.

This year, industry sources are predicting sales of all telephones to reach 10 million units, worth $1 billion in retail sales. Cordless phones alone are predicted to account for between 1.2 and 3.5 million of those units.

All this enthusiasm is not unfounded; nothing but record traffic and sales were reported by telephone exhibitors at the show.

Clearly, the telephone has become a viable product category on its own. Phones are no longer being sold just as extensions, but rather as primary products. In other words, consumers are replacing their primary phone, usually a simple rotary or push-button unit, with models that have many more features and which better suit their modern, everyday needs. At least, that is the direction consumers will be taking in the '80s as more and more technologically advanced models become available, suppliers told MART.

More importantly, however, consumers

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CONSUMER ELECTRONICS

MART
February 1983

Winter CES a whopper!

SONY
FISHER
FISH

More than 78,000 people thronged last month's Winter CES, most in an upbeat mood after a good Christmas.

More than 78,000 attendees flocked to Las Vegas to check out the latest

What if they gave a trade show and *everybody* came?

That was the impression produced by last month's Winter Consumer Electronics Show: with more than 78,000 registered attendees clogging the aisles during the four-day event, checking out the latest products and programs from 1,056 exhibitors, at times it seemed as if everyone in the industry—retailers and suppliers alike—was congregated in Las Vegas.

And it was a generally upbeat crowd roaming the Convention Center. Once again, a last-minute rush of Christmas buying pulled the holiday sales period out of the doldrums, although some retailers had been nervous when a combination of unseasonably warm weather and a sluggish economy kept business slow early in December.

But a rally in the week before Christmas helped many stores make their 1982 figures—in some cases, by the skin of their teeth—so most retailers headed for Las Vegas with a comfortable amount of open-to-buy available.

They arrived at the show to hear a continual stream of optimistic predictions from suppliers on how 1983 should shape up, even in such previously lackluster categories as audio and autosound. Price-cutting still abounds, most notably in video cassette recorders and blank tape, but some dealers were hopeful they could substitute creative merchandising for super-aggressive pricing and still keep ahead of the competition.

The overall outlook for the consumer-electronics industry appears very bright for 1983.

At the opening-day "industry outlook" conference during the Winter CES, Bill Boss, vice president of the show-sponsoring Electronic Industries Assn.'s Consumer Electronics Group and vice president, distribution, for RCA Consumer Electronics, said total sales to dealers of consumer-electronics products (excluding telephones, computers, and games) hit the $15-billion mark last year. And this year looks even better, with gains forecast for virtually every category.

However, Boss warned, retailers competing for the consumer's discretionary dollar need to be creative in their approach.

"Too often, we compete on price—and price alone," he told his retail audience, urging them, "Think merchandising and new product and innovations and all of the good, strong, positive selling techniques that will increase margins and help us all to survive. Think not about the day's receipts, but of a year from now—or 10 years from now."

The general economy looks better for 1983, he added, with incomes predicted to rise faster during the course of the year, housing starts up, and overall retail sales volume expected to rise by 6 to 7 percent.☐

Crash, bang . . . boom is expected in audio

Consumer awareness and dealer product knowledge are problems suppliers are targeting in '83

Contrary to pessimistic projections heard late in 1982, manufacturers are now forecasting home-audio sales gains for this year.

Encouraged by improved retail sell-throughs, healthy Christmas figures, and dealer confidence expressed at WCES, suppliers at last month's Winter Consumer Electronics Show were predicting that audio sales will start turning around by mid-year.

By that mid-year point, merchandising tools, advertising campaigns, promotions, sales-training programs, and new-product introductions will be in place, directed at moving product by rekindling enthusiasm for quality sound across all categories.

And if inventory control and pricing were major concerns in 1982, then vendors are addressing another fundamental problem this year: a lack of consumer awareness, as well as dealer product knowledge. So rather than stressing price points and specifications, vendor efforts will concentrate on consumer benefits and product features, aimed at exciting everyone from the first-time buyer to the audiophile, young and old, male and female, including the salesperson on the retail floor.

And because many distribution networks were restructured last year, several suppliers will be honing marketing strategies in 1983 to lend deeper support to their diminished dealer ranks. Other manufacturers will be using support programs to recoup and expand market share.

Although Jack Doyle, president of Pioneer Electronics (U.S.A.) and keynote speaker at the WCES audio conference, painted a somber picture for the $4.5-billion home-audio industry in 1983, other manufacturers largely refuted the Electronic Industries Assn. (EIA) projections.

"I'm optimistic about 1983," said Sam Rosenzweig, Kenwood home audio-video vice president and director of sales and marketing. "Our sales have been good, and we've already gotten major commitments from dealers," he told MART.

For Kenwood, portables are showing strength, and personal stereos are filling an important niche on retail shelves. And although the digital audio disc will have little impact for a couple of years, it represents "the Alka-Seltzer the industry has needed for a long time," com-

[Continued on page 8]

BEST AVAILABLE COPY

Video Games

Game/computer line blurs still further at Winter CES

[Continued from page 7]

The game-hardware business is also growing fast, although this year's increase should be more gradual than the sales surge that occurred in 1982.

For 1983, the EIA/CEG projects sales to dealers of 7.2 million game consoles, up from 6.7 million units sold last year.

But a number of suppliers' industry-sales estimates for both hardware and software are higher.

The big news at this Winter CES was not so much how *many* game cartridges will be sold this year, however, but what *kind*. Most game-software suppliers made the move into computer software at this show, while a number of computer-software firms jumped into the game arena.

And game-hardware manufacturers either showed or talked about—or both—upcoming computer-oriented and/or upgraded game consoles or add-ons for their existing game formats.

Mattel Electronics, for example, took the wraps off its under-$150 Intellivision II, a redesigned, slimmer version of its original game console, while offering a sneak preview of its Intellivision III model. Due shortly before Christmas, 1983, the Intellivision III console is expected to sell for under $300; it features improved graphics and built-in voice capability, plus six channels of sound effects.

Mattel also announced that it has begun producing six game titles for the IBM and Apple personal-computer formats.

At the Odyssey exhibit, newly named Vice President and General Manager Mike Staup was showing off that firm's third-generation Command Center, due out this summer at about $200 (MART, January, page S-20). The company also dropped the wholesale price on its current Odyssey² model, bringing it below $100 at retail.

Atari executives were highlighting the new 5200 console at the show, with eight new arcade titles introduced for that format. Atari also premiered a new Pro-line series of game controllers and accessories, said to provide "a quantam leap" in control and game excitement.

Atari plans a total of 34 new titles this year, according to consumer-products head Michael Moone. "We're looking at programs to appeal to both parents and children," he told MART. "We're also trying to develop game software and hardware to bring new people into the marketplace."

Coleco did not bring its anticipated computer module to Las Vegas, but will introduce it for immediate delivery at the June CES, according to company executive Al Kahn. The firm did show new controllers for its current game system, and highlighted its Atari-conversion module.

A number of other firms are now jumping on the ColecoVision bandwagon. Spectra Video, for example, introduced an under-$70 adapter to allow its $99 personal computer, used with the Atari VCS 2600 console, to play Coleco-format games.

And several software companies said they plan to offer Coleco-compatible software.

Imagic, for example, will introduce ColecoVision software, along with games for the Texas Instruments 99/4A computer, in June, with late-third-quarter availability, according to President Bill Grubb. The firm is currently producing 30 games for the Atari VCS, Mattel, Odyssey, and Commodore VIC-20 systems.

As usual, video games provided a big draw for show-shoppers in Las Vegas.

"This industry is now poised for a new spurt of growth," Grubb commented. "The consumer is just beginning to work up an appetite for quality game software. And if 1982 was 'the year of the computer,' according to *Time* magazine, 1983 will be 'the year of software.' "

Another new entry with Coleco-compatible software was Parker Brothers, which also showed games for the two Atari game systems and Intellivision. Parker Brothers also announced it will preview computer-game software for the VIC-20 and Atari 400/800 computers at the June CES, and later may add software for the IBM and Apple formats.

Also taking a multi-format approach to the video-game market is Fox Games, which is offering a game version of the hit TV show "M*A*S*H" in six formats—Atari VCS, Coleco, Intellivision, Atari 400/800, VIC-20, and TI 99/4A.

"We're making a major thrust into the personal-computer business," declared Fox Games President Frank O'Connell. Fox is also adding nine other new games, "targeted at particular consumer segments," he said.

Yet another game-software firm breaking into new formats at last month's show was Data Age, which plans to release its "Journey Escape" in the Coleco and Intellivision game formats in the second quarter, and will probably offer several computer versions as well. The company also announced an agreement to license the game to Bally for the arcade market.

Upcoming games from Data Age "will bear recognized titles, pre-sold to our target audience," said Bob Rice, marketing vice president. Among those new games planned are "Smokey the Bear," an educational game; "Mr. Bill"; and "Mr. T," from the movie, "Rocky III."

Major software producer Activision is not rushing into a lot of new formats—"We try to be deliberate in selecting systems," President Jim Levy told MART—but did announce plans for its first computer software, for the Atari 400/800 format, which will be available in the second half.

At the end of 1982, Levy estimates, the installed base for this industry was 15 million households—13½ million with game consoles and 2 million with personal computers (and with some overlap). He expects more than 10 million more hardware units to be sold to additional consumers this year.

"The computer market's good, but games are still growing, too," Levy commented. "By the end of this decade, 80 percent of the software sales will still be entertainment-oriented."

Entertainment is certainly the way most software firms are gaining a toehold in the personal-computer market. Among other companies showing new computer games at the show were Thorn EMI, which expects to have 35 games for the Apple, TI, and Atari formats by mid-year; CBS Software, which showed four Atari 400/800 games and two VIC-20 games, with two more Atari games due next month; Telesys, offering "Fast Food," its first game for the VIC-20 system; and Tronix, getting distribution underway for game cartridges for the VIC-20 and Atari 400/800 formats.

U.S. Games President Jack Dews told MART his firm may also introduce computer games in June.

Brand-new entries making their bow at Winter CES included Magnetic Tape International with its Zimag brand, offering 12 computer and video games with eight more due this month; and Sega, which plans from nine to 12 games this year for all game/computer systems, with the first three available in late April, according to President David Rosen.

Pre-recorded-video-cassette firms are getting into the computer-software act as well. Walt Disney Telecommunications, for example, is developing a series of programs for the Atari, NEC, Panasonic, TI, and Radio Shack personal computers, all featuring Disney characters.

The first Disney computer software will be out next month, according to Fred Simon, Disney's vice president, computer software, with 50 titles planned by the end of the year. The first program will be an educational game, "Mickey in the Great Outdoors."

Disney is making arrangements with various computer-hardware firms to be exclusive distributors of its computer software for the home market, Jim Jimirro, Walt Disney Telecommunications president, told MART. ☐

Cathy Ciccolella
Editor-in-Chief

VIDEO GAME PLAYERS

Total Estimated Sales to Dealers in units	
1979	400,000
1980	2,200,000
1981	4,200,000
1982	6,700,000
1983	7,200,000

VIDEO GAME CARTRIDGES

Total Estimated Sales to Dealers in units	
1979	4,000,000
1980	9,000,000
1981	30,000,000
1982	60,000,000
1983	70,000,000

Source: EIA/CEG

Exponential growth expected for phones this year, say suppliers

[Continued from page 7]

are looking for reliable phones from reputable manufacturers and retailers who will stand behind their products.

In fact, at the first CES telephone-equipment conference, held at this year's Winter CES, Al Franks, vice president of sales, national accounts, for the newly formed AT&T subsidiary, American Bell, in his keynote speech addressed this topic. He indicated that in surveys conducted by American Bell, almost half of the respondents indicated they wanted to buy from a manufacturer who would stand behind the product for service.

Roy Mulhall, vice president of marketing for Uniden Extend-A-Phone, who also spoke at the conference, added, "Consumers are spoiled by the wonderful phone-company products. One of the most important points to keep in mind is that the American consumer expects phone products to work well; to work all of the time. With the proliferation in the marketplace today, it is especially important for a manufacturer to have responsibility and reliability or the returns will kill him."

"Quality-product also needs to be backed with a network of service centers," added Logan Davis, general manager for GTE Retail Telephone Products.

The retailer also has a responsibility to the consumer to carry reliable products. In fact, AT&T's Franks noted that almost one-third of the people in another survey American Bell conducted said they prefer to buy from a store offering convenience, willingness to stand behind a product, reliability, and favorable price, in that order.

"It is important for retailers not to get caught up in trying to find a low-price product," Neil Bloomfield, general marketing manager, Cobra Communications, division of Dynascan Corp., told MART. "In the long run the retailer will get burned, because he'll have nowhere to turn.

"This year," he added, "a number of companies will jump in and out of the market, but major brands with full service and back-up support will survive. This phone business is not a fad; people are looking for an established brand name they know and can depend on."

Bloomfield also stressed that retailers who carry a brand-name product get an extra boost from national advertising done by the manufacturer: "This is typically a part of most brand-name company's marketing mixes."

Cobra is planning the most extensive national advertising campaign this year in the company's history, even in the heyday of CB radios, said Bloomfield. Planned are network and spot-television commercials in the top 15 to 20 markets and print ads in major national magazines.

Bloomfield sees cordless-phone sales continuing to grow exponentially; he estimates that 3½ to 4 million cordless units will be sold industrywide by year-end 1983. Cobra, he said, expects to maintain leadership as number one or two in the cordless-phone marketplace.

Phone-Mate is also planning a massive advertising campaign. Television commercials will run in 40 markets nationwide, and in even more markets during the gift-giving season between April 15 and June 15.

"We want to help maximize sell-through for the retailers we are doing business with," said Bob Petkun, vice president, marketing and sales for Phone-Mate.

"We expect sell-through during this gift-giving season to equal that of retailers' sell-through during Christmas, 1982," he noted. Recent studies conducted by Phone-Mate reported that sales of cordless phones are expected to reach 1.4 million units by the second quarter of 1983.

Although Phone-Mate is already sold out for 1983, the massive advertising campaign is being done to build a brand name, Petkun told MART. The company spends 20 percent of sales on advertising, and Petkun expects to ascertain a market share of up to 20 percent by year-end 1983.

"Ma Bell is helping us advertise right now," reported Jack Carstens, product manager for Interquartz (USA) Ltd., a relatively new company in the phone business, whose primary marketing thrust is in one-piece phones.

Carstens noted, however, that the advertising budget will be expanded this year to establish name recognition.

Sales took off last fall for Interquartz, Carstens told MART; demand was so heavy at Christmas that product had to be flown in, he said.

Looking at the year ahead, Carstens projects that Interquartz will sell between 60,000 and 960,000 units. Industry-wide, he projects 3- to 4-million unit sales.

"Although Interquartz has been selling phones—actually for six years—the company only began truly devoting itself to the phone market the past 1½ years," said Carstens. "However, Interquartz will be around for a long time, despite the wash-out that will come about, because we have a strong financial background."

Echoing this thought, Bill Atkins, vice president, marketing and sales, for Midland International, told MART he expects Midland to be a strong force in the telephone marketplace for a number of years to come as well. Midland, a subsidiary of Beneficial Finance Corp., has been in the telephone business for 20 years, said Atkins, who added that the company has the marketing expertise and strength in the phone business to survive in a marketplace that is becoming flooded with new companies.

Atkins expects to triple telephone sales and double market share in 1983 over the past year. Industrywide, he expects corded-telephone sales to double over last year, to about 6 million units, while cordless units should reach between 1.6 and 2 million units in 1983.

Sales trends indicate the telephone market is moving from extension-phone sales to more primary phone sales, said Atkins.

"In the past, the plug-in market (as opposed to the cordless market) was sold primarily as an extension phone, with price being most important to the customer," said Atkins. "Today the electronic-phone market will grow, as people see the additional features in the marketplace that are not available on their standard phone."

ITT Telecommunications Corp.'s strength, however, is in basic telephones, although its new Trendline series is a deluxe line of desk and wall phones which have two features: an audio-volume control and a line-powered lighted dial, said Virgil de Oliveira, sales manager.

ITT expects to achieve a 50-percent market share in the basic phone marketplace (not including those sold through Bell PhoneCenters), de Oliveira said.

"We feel we are maintaining a selection of product that encompasses all segments of the current retail telephone business," said Logan Davis, general

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CORDLESS TELEPHONES

	Total Sales to Dealers in Units (Thousands)
1981	232
1982	620
1983 (est.)	875

ANSWERING MACHINES

	Total Sales to Dealers in Units (Thousands)
1980	60
1981	720
1982	850
1983 (est.)	1,000

Source: AT&T

Plug into a 180 million user market!

Today's telephone after market is 180 million plus phones in use. Here are the accessory products that can put you into that market:

Accessories that add functions to standard telephone sets:

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- Volume Amplifier
- Tone Ringing

Plus - All the cords and adapters to update or expand systems

We make it E-Z for you -

- Colorful, attractive display modules quickly identify your telephone center display.
- Self-selling packages with illustrated instructions
- Quality engineered to telephone company standards
- Free point-of-sale installation booklets
- FCC Registered

Write or call for information and the sales representative nearest you.

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E-Z CONNECT Telephone Accessories

Telephones

IMM Corp. introduces phone add-on to shut out unwanted calls

The call-screening feature has helped spur the growth of telephone answering machines. Now International Mobile Machines Corp. (IMM) is marketing a telephone accessory designed to automatically screen all incoming calls and prevent unauthorized callers from getting through.

The device, called PriveCode, intercepts each incoming call with a synthesized female voice, identifies the number the caller has reached, and asks for a three-digit access code previously assigned by the phone's owner. If a valid code is entered, the PriveCode rings and displays the code number on its LED screen. If the caller does not enter a valid code, the call is disconnected and the telephone does not ring.

The unit can also act as a call recorder by storing all codes in its memory while the owner is out; it is also compatible with any telephone answering machine, using a universal code that connects callers to the machine.

IMM is developing modules for the unit which will allow the owner access to heating or air conditioning system, lights, and other appliances through the telephone.

Suggested retail price for the PriveCode, which went on sale late in September, has been cut from $495 to $300. ☐

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True Touchtone™

With Pacer Cordless Phones you get five different models to choose from. There's even a Pacer that can be switched from Pulse to true touchtone dialing, right from the handset!

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*Range may vary depending on conditions

Cordless-phone line bowing from Kraco

Recent entry into the telephone market is Kraco Enterprises, the car-stereo manufacturer, which showed off its first three cordless-phone models at last month's Winter Consumer Electronics Show.

The cordless-phone line, priced from $100 to $230, marks Kraco's first move into products for the home. The telephones are aimed at the mass market, according to President Larry Kraines, and will be sold through a newly established consumer electronics division. The products will be available in March.

Topping the Kraco line is a cordless phone with built-in speaker phone with separate 12-button dial pad on the base unit, which the company said provides two phones in one, plus two-way intercom. The handset includes an LCD clock and elapsed-call timer. ☐

Phone unit sales to hit 4-10 million

[Continued from page 13]

manager of GTE Retail Telephone Products.

"We have a good representation of one-piece phones, as well as standard electro-mechanical phones," he added, noting that GTE is placing emphasis on the new electronic models such as those in its linear and feature line.

Davis also noted a trend towards the primary-phone market.

"Our direction is to pursue this area aggressively. And we're trying to gear consumers toward electronic-type phones. However, we realize we can't expect the average consumer to take down his or her old standard phone and replace it with some super-duper electronic phone. So we are offering a stylish, form-factor model with the most desired features, such as last-number redial and electronic hold," he said.

Davis noted the phone industry sold 3¼ to 4 million phones last year, including cordless models.

"The telephone explosion will continue. Now many outlets are designating a separate category for telecommunications, apart from calculators, cameras, and so forth. Telephones have their own stature now; they are not piggybacking anything else," he added.

Electra Company's Dick Murphy, manager of marketing services, however, believes some industry predictions of cordless telephones are extremely high. "We are sort-of at odds with the rest of the industry as far as industry projections go for 1983. We project the number of cordless sales in 1983 to reach between 1.6 and 2 million and this includes retail sales through Bell PhoneCenters.

Electra, however, enjoyed a profitable year in 1982, with retail sales up 400 percent over 1981 totals, said Murphy.

"Through our warranty cards, we can monitor retail sales, and we track on a daily basis a year-to-year comparison of what is happening in the market," said Murphy. "We can even estimate market share," he added. ☐

PEGGY ODENBACH

Cordless phones continue to be bought in outlets that offer best price

Despite the high profile of cordless-phone buyers, price remains a consideration

Who ever said that if you have to ask the price of something, you can't afford it? Today's consumer, no matter what his or her income, not only asks, but shops for the best possible price . . . and this holds true for the cordless telephone purchaser.

In fact, the typical cordless-phone customer has a yearly household income of over $35,000 (for many, over $50,000). But where does he buy his cordless telephone? Where he can get the right price. Frequently, in a discount store, according to MART's exclusive survey of recent purchasers of cordless telephones. The "right price," MART's survey revealed, was under $200; the average price paid by these consumers for a cordless phone phone was $158.40.

MART's exclusive survey also found that almost 57 percent of these 821 cordless-phone owners did not shop around, but visited only one retail outlet before purchasing their cordless phones.

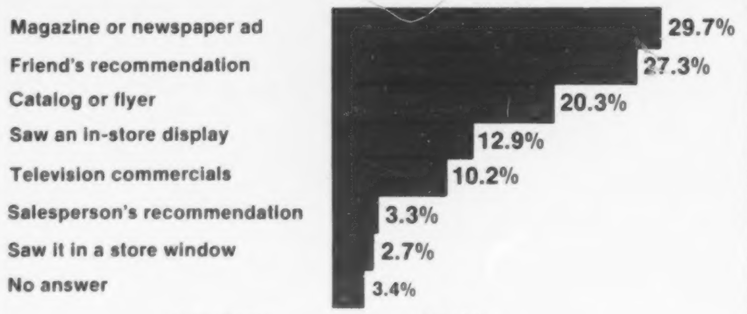
Rather than shopping extensively, almost 60 percent of the respondents said they paid close attention to advertising, which was how they first got interested in purchasing a cordless telephone. Friends' recommendations also ranked high, with more than 27 percent of the cordless owners first becoming aware of the product through friends.

In addition, the overwhelming majority (84.1 percent) of survey respondents are pleased with their cordless telephones and would purchase the same product again, given their present knowledge of it. In fact, more than 77 percent of these consumers would also buy the same brand again.

Rather than shopping extensively, almost 60 percent of consumers said they paid close attention to advertising . . .

One respondent told MART, "I have never been so pleased with a product as I am with my cordless phone. It is a joy to own one; I am a 'phone' person and recommend it to everyone I know. Plus, I can get all my chores done and still enjoy the people I am talking with."

How Respondents First Got Interested in Cordless Telephones
(Base 821)



Advertising	56.8%
Recommendation	30.2%
Displays	15.2%

(Doesn't add up to 100% due to multiple responses.) (No answer - 3.4%)

Why Consumer Purchased at a Particular Outlet
(Base 761)

Price was right	62.4%
Know merchandise can be returned	27.2%
Store has a good reputation	17.7%
Other (including "only available here")	10.0%
Store accepts credit cards or gives me credit	9.7%
Know owner or salespeople	8.4%
Salespeople are friendly and helpful	6.2%

(No answer - 1.8%)
(Does not add up to 100% due to multiple responses.)

Telephone Products Consumers are Likely to Purchase Next
(Base 546)

Automatic dialer	22.9%
Standard corded set	22.0%
Answering machine	19.6%
Cordless phone	18.3%
Decorator phone	9.3%
Combo phone/radio/clock	7.5%
Emergency/home security phone	6.6%

(Other - 3.8%)

Features Most Important to Respondents When Buying a New Cordless Phone
(Base 821)

700 feet or more remote range	72.0%
Built-in automatic dialer	21.4%
Call/hold feature	7.3%
Speakerphone	5/2%
Page/intercom system	16.9%
300-Feet remote range	16.2%
Other	7.3%

(No answer - 1.8%)

In addition to price, however, features would play a very important role in these consumers' decisions to purchase another cordless phone, MART's survey indicated. The features most requested were at least a 700-ft. remote range from the base station (mentioned by 72 percent of the respondents), and a more portable and durable design for the remote unit. These features are obviously important, since over 63 percent of the respondents said they use the cordless phone both inside and outside.

Security devices to discourage other cordless users from accessing private lines, as well as a remote unit that does not have to be recharged in the base unit, were also frequently mentioned as desirable by cordless-phone owners.

Compared to 74.2 percent who would buy another phone in a retail store, only 6.1 percent would buy in a Bell PhoneCenter . . .

Other features important to today's cordless-phone owner are built-in automatic dialers (cited by 21.4 percent of the respondents as desirable), a page/intercom (mentioned by 16.9 percent), a 300-ft. remote range (by 16.2 percent), a call/hold feature (by 7.3 percent), a speakerphone (by 5.2 percent), and a mute button (by 3.2 percent).

Almost 13 percent of the respondents said they would not purchase a cordless phone again, primarily because they felt their phones received and transmitted poorly, or that too much static or interference interrupted their conversations. Many also complained that the remote ringer was not loud enough, and/or that the product was in constant need of repair.

One consumer said, "We liked the product for the size, convenience, and its ability to give us features we wanted. The voice reception and transmission, however, were less than satisfactory, and we returned the product and did not replace it."

Many respondents also told MART they would not buy the same product again because newer and more technically advanced models are available now.

Of those consumers who *would* buy another cordless phone, however, 74.2 percent said they would buy in a retail store, compared to 6.1 percent who said they would buy it in a Bell PhoneCenter. The percentage of those who said they *would* buy a cordless phone at a Bell Phone Center, however, was higher than those who *actually* purchased their original units there. (Only 1.2 percent of the respondents actually bought at Bell outlets, logical since Bell just began selling cordless phones late last year.)

[Continued on page 22]

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Price, features are important factors to cordless phone buyers today

[Continued from page 19]

Almost one-third of the respondents said they would buy a second cordless phone in a discount store (again, a higher percentage than those who actually purchased one at a discount store, which was more than 28 percent of the respondents). Almost 17 percent of the cordless owners bought their original units in an electronics store, however, while more than 20 percent said they would buy a new one in this type of outlet.

> *More than 62 percent of the consumers said they purchased in a particular outlet because the price was right . . .*

Mail orders of cordless phones represented a fairly large percentage of these purchasers—almost 13 percent. However, those consumers who said they would buy a new phone through mail order dropped to 9 percent.

More than 9 percent of MART's survey respondents bought their cordless phones from mass merchandisers, such as Sears or Montgomery Ward; more than 10 percent said they would purchase a new cordless model from a mass merchandiser.

The percentage of consumers who bought a cordless phone in a telephone specialty store was very low—only 6.2 percent of MART's survey respondents. However, almost 12 percent of the respondents indicated that they would purchase a new unit in a specialty store.

Almost 8 percent of the survey respondents actually bought their cordless phones in department stores, while slightly over 5 percent said they would buy a new one there. Also, 4.5 percent of these consumers bought cordless models in an appliance/TV store, while only 3.5 percent would buy a new one there. And almost 2 percent of the respondents bought cordless phones in a catalog showroom, while only slightly over 1 percent would buy a new one there.

Knowing that merchandise could be returned if they had a problem with it, played a significant role for almost 30 percent of the respondents in choosing to purchase in a particular outlet. And a store's reputation was also important to almost 18 percent of those surveyed. Almost 10 percent bought at a particular store because it accepted credit cards or the consumer's credit.

Also important to these consumers in choosing a retail outlet was the availability of repair service and a free "loaner" while the phone was being repaired.

One cordless owner commented, "I own all of my phones, three besides my cordless phone. One I bought from Bell because they said they would supply a 'loaner' in case mine needed repairing. I failed to find other vendors who offered this service."

However, the majority of consumers (more than 62 percent) said the predominant reason they purchased in a particular retail outlet was because the price was right.

Price would also be the most important factor in choosing a new cordless-phone *brand* for almost 31 percent of those who responded to the survey.

One consumer told MART, "I wouldn't buy the same brand of cordless phone again, because the store where I bought it offered the same phone three weeks later for $20 less. I felt 'gypped.' "

The majority of respondents, however, were split between ease of operation and manufacturer's reputation or brand name when it came down to choosing a new cordless-phone brand. A friend's or salesperson's recommendation ranked low this time, with less than 6 percent of the consumers saying they would rely on a friend's recommendation and 2.1 percent on a salesperson's recommendation if they bought a new brand of product.

More than 32 percent of MART's survey respondents said their salesperson was knowledgeable about the product, while 12 percent of the respondents indicated the opposite; more than 29 percent said the salesperson was helpful and friendly.

Almost 19 percent said no salesperson was available. In fact, the majority (57 percent) said no one demonstrated the product or allowed them to make a phone call on a cordless unit, which corresponds to the 56 percent who indicated that no working model was available in the store.

(These statistics, however, correlate

Where Respondents Expect to Buy a Cordless Telephone
(Base 821)

Retail store	86.2%
Bell PhoneCenter	13.8%

Where Respondents Actually Bought Their Cordless Phones
(Base 821)

Retail Stores (Net)*	72.8%
Mail Order	12.8%
Received as a gift	7.3%
Other	6.8%
Bell PhoneCenter	1.2%

***Retail Stores (Base 598)**

Discount store (K Mart, Penney's etc.)	28.5%
Electronics store	16.1%
Mass merchandiser (Sears, Ward's etc.)	9.1%
Department store	7.7%
Telephone specialty store	6.2%
Appliance/TV store	4.5%
Catalog showroom	1.6%
Total	72.8%

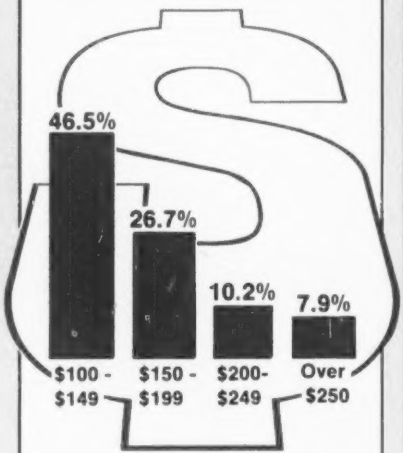
Where Respondents Would Buy If They Were to Buy A New Cordless Phone
(Base 821)

Retail stores (Net)*	74.2%
Mail order	9.0%
Bell PhoneCenter	6.1%
Wherever get best price	4.4%
No preference	2.6%
Military exchange	1.5%
(no answer - 5.6%)	

***Retail Stores (Base 609)**

Discount store	32.4%
Electronics store	20.3%
Telephone specialty store	11.8%
Mass merchandiser	10.1%
Department store	5.1%
Appliance/TV store	3.5%
Catalog showroom	1.2%
Total	74.2%

Approximately How Much Respondents Paid For Their Cordless Phones (Base 761)



(Average price paid: $158.40)
(Median price paid: $143.90)

Age of Respondent
(Base 821)

24 or under	2.6%
25 to 34	16.7%
35 to 44	22.3%
45 to 54	22.3%
55 to 64	18.4%
65 or over	11.0%

(Average Age 47.6)

Highest Grade of School Attended
(Base 821)

8th Grade or Less	.6%
Some High School	2.3%
High School Graduate	16.6%
Some College	25.8%
College Graduate	24.8%
Post-Graduate Work	22.8%

Number of Persons Living in Household
(Base 821)

1 person	10.4%
2 persons	40.8%
3 persons	18.5%
4 persons	14.1%
5 persons or more	7.4%

(Average: 2.67 persons per household)

Marital Status of Respondents
(Base 821)

Married	74.8%
Single	11.3%
Widowed	2.3%
Separated or divorced	4.6%

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Today's high-profiled cordless buyer shops around for the best price

Employment or Occupation of Respondent
(Base 821)

Professional/Management	38.5%
Self-employed	16.3%
Retired	15.6%
Sales	6.0%
Other	26.7%

Total Household Income
(Base 821)

Less than $15,000	5.8%
$15,000 to $19,999	7.1%
$20,000 to $24,999	10.0%
$25,000 to $34,999	18.0%
$35,000 to $49,999	19.1%
$50,000 and over	28.3%

(Average income - $36,400. Median income + $31,500.)

Sex of Respondent
(Base 821)

Male	79.3%
Female	15.5%
Refused	5.2%

with the fact that a good portion of the cordless-phone purchases were made in discount, mass merchandising, and catalog-showroom outlets, which are not traditionally known to have sales demonstrations.)

Despite this fact, however, the cordless-phone owners who responded to MART's survey are still interested in buying another cordless phone—at least, 18.3 percent of them are. Other respondents said they are most likely to purchase other phone products, such as an automatic dialer (almost 23 percent of the respondents); answering machines (almost 20 percent); decorator phones (slightly over 9 percent); a combination phone/clock radio (almost 8 percent); or an emergency home security phone (almost 7 percent.)

Of the respondents who are self-employed, over one-third said they plan to buy an automatic dialer; slightly more than 23 percent plan an answering-machine purchase, while almost 17 percent plan on purchasing another cordless telephone.

One respondent told MART she purchased a cordless phone as a gift for her husband, who is self-employed: "The phone saves him many steps in his automotive business," she commented.

Although the typical cordless-phone purchaser has a household income of over $35,000, significantly, the $35,000-plus group accounts for 47.4 percent of the 821 respondents, while 28 percent of the respondents actually make a yearly household income of over $50,000. The median household income of this group is $37,500.

The typical cordless-phone customer is a male who is married, with a household of two, in a professional or management position with a college degree or some post-graduate work, and is between the ages of 35 and 64.

The majority of female cordless-phone consumers are split among these in a professional or management position (26.8 percent), those who are retired (14.2 percent), and those who are self-employed (11 percent). In addition, almost 32 percent of the female respondents have a household income of $35,000 and more. Almost 30 percent of the female respondents also make a yearly income between $20,000 and $24,999, while 22 percent make less than $20,000.

A growing segment of the cordless-phone population also includes handicapped consumers, according to comments and letters to MART.

One respondent told MART, "We bought our disabled daughter a cordless telephone and she carries it around with her. We couldn't be happier with it. It is used mostly for emergency purposes."

Another added, "The cordless phone was purchased for use during an illness, so that it could be carried from room to room and always be available in an emergency. It is handy to take and also gets calls immediately, as opposed to answering machines."

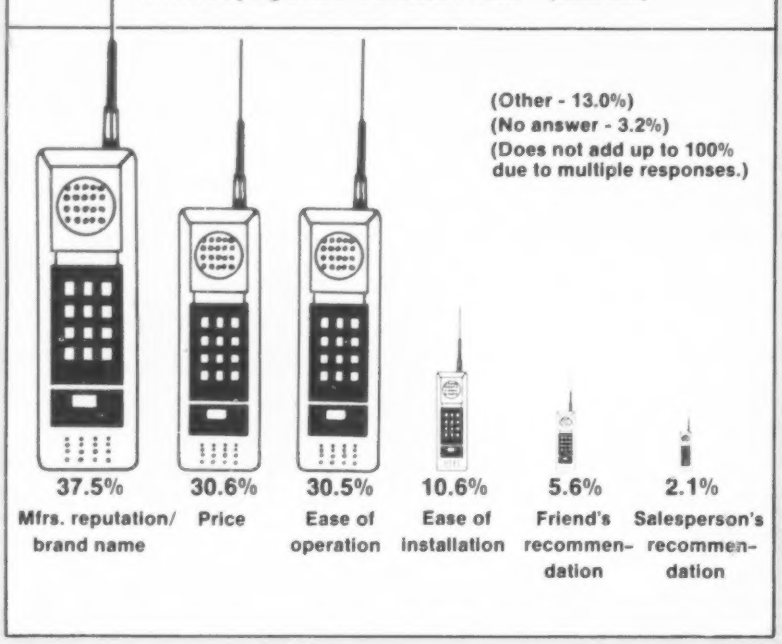
"It is perfect for a stroke victim," reported yet another respondent.

And, said one, "I like my cordless telephone very much because it gives me a sense of security, since I am handicapped and living alone. It aided me most recently when my car wouldn't start due to a battery problem and I was able to get in touch with someone. I only wish it worked at a greater distance from my house."

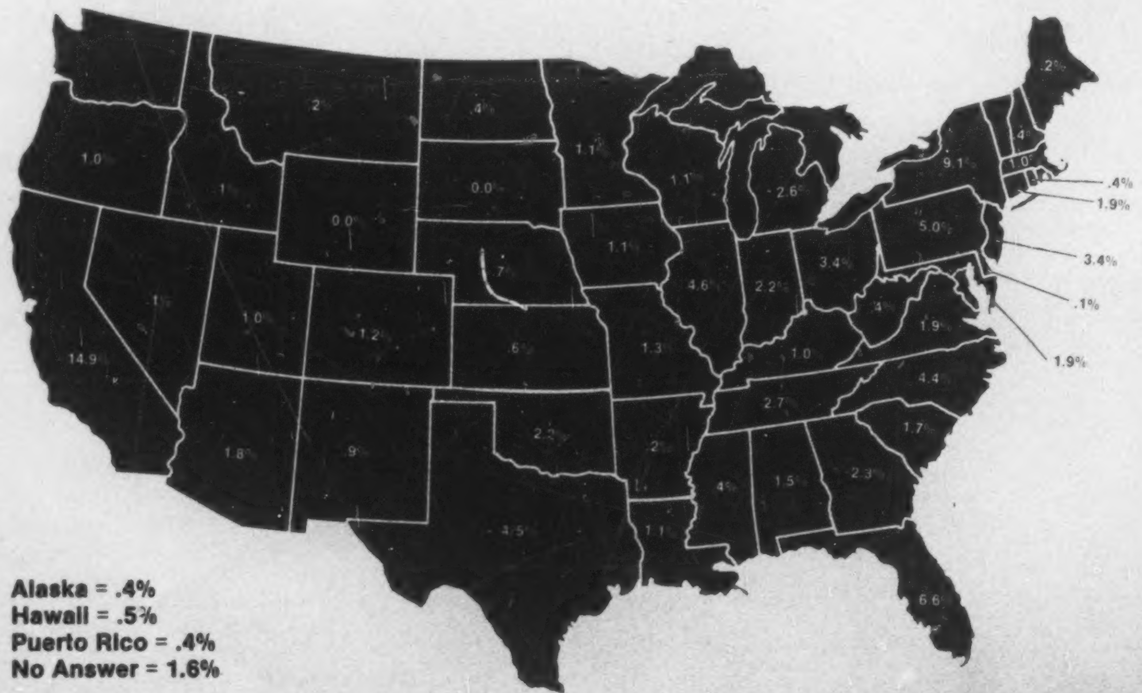
As an emergency phone or just as a convenience in the backyard, more and more consumers today are discovering the freedom of a cordless telephone. ☐

Peggy Odenbach
Supplements Editor

Factors Most Important In Choosing a Brand When Buying a New Cordless Phone (Base 821)



Geographic Spread of Cordless Phone Owners Who Responded to MART's Survey



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Consumer Electronics

Fall delivery set for RCA's planned interactive player

The long-awaited interactive CED video disc player from RCA Consumer Electronics will be out this fall, according to Joe Donahue, division vice president and general manager.

The player will offer random-access capability, to search out special program segments on a disc. "Obviously, the new player will also provide numerous opportunities for the development of new forms of programming," Donahue added.

Donahue said RCA sold more than 130,000 CED players to consumers last year, more than double 1981's total; sales of RCA disc software were up about 138 percent over 1981. The typical consumer in the first year of player ownership spends about $1,000 on the player and discs, Donahue commented.

RCA predicts total CED-player sales of between 300,000 and 400,000 units this year.

On the software side, Herb Mendelsohn, division vice president, marketing and sales, for the SelectaVision disc operation, said over 500 CED titles are now available, with more than 300 of them coming from RCA.

The company is kicking off a new "showcase dealer program" this quarter, with special incentives available to retailers who stock 50 percent of RCA's disc catalog, purchase 75 percent of RCA's new releases, demonstrate both a mono and stereo player in their store, and participate in all RCA promotions.

Dealers who qualify under those terms receive special dating terms, get direct shipments of all point-of-purchase material, and receive special in-store signing, ad mats, and window decals. In addition, beginning in May the company will offer special demonstration discs, released every four months, which retailers can loan to customers to preview upcoming releases.

Mendelsohn told MART he expects from 1,500 to 2,000 dealers to participate in the showcase program during the first quarter; last year, about 700 retailers were involved in a simplified version of the plan.

RCA SelectaVision is also testing a consumer promotion in more than 550 McDonald's outlets in Michigan and southern California. A consumer-sweepstakes panel attached to game booklets distributed by McDonald's offers consumers who request a video-disc demonstration at an RCA dealer's store a coupon to get a free Big Mac when they buy one.

RCA is making more of an effort to target software-only retailers for its disc line, Mendelsohn added. Software dealers can participate in the showcase-dealer program if they demonstrate disc players, even if they don't sell the hardware. And the SelectaVision division is considering doing cross-promotions with RCA Records to get record stores more interested in selling its video-disc software.☐

VIDEO DISCS

Total Estimated Sales to Dealers in units	
1980	300,000
1981	2,000,000
1982 (est.)	5,000,000

VIDEO DISC PLAYERS

Total Sales to Dealers in Units (Thousands)	
1980 (est.)	40
1981	157
1982	225
1983	300

Source: EIA/CEG

Zenith exits disc field

Zenith is pulling out of the video-disc business, after closing out most of its RCA-sourced player inventory.

The company began selling off its CED players last fall. Zenith sources indicated that while the firm sees growth potential for the disc business, the market has become highly software-oriented; Zenith was not producing its own disc software.

Sanyo is also taking a low-profile in the disc business these days. Art Westburg, senior vice president of sales and marketing, told MART, 'The success of low-end VCR is the main reason we've pulled back from the disc. There needs to be more of a price differential between the disc player and the VCR, but I'm not sure what that price differential should be.'

Beta Hi-Fi system bows at Winter CES

Video-cassette-recorder sound—rather than VCR pricing, for a change—was big news at last month's Winter Consumer Electronics Show.

The first stereo VCR format, called "Beta Hi-Fi," was unveiled, with a number of manufacturers promising to have units using the stereo system on sale by mid-year.

Beta-format proponents described the new sound development as "approaching the latest digital-audio systems." The stereo sound is recorded by the fast-moving video heads; tapes recorded on Beta Hi-Fi VCRs will play back in monaural on conventional Beta VCRs, and vice versa, but in stereo on Beta Hi-Fi VCRs.

Three new entries in the Beta VCR field—Pioneer, Aiwa, and Nakamichi—will all offer Beta Hi-Fi capability in their initial models, due later this year: eight other firms also plan Beta Hi-Fi video recorders.

Software using the Beta Hi-Fi format will be launched this spring under a number of labels, with about 70 titles planned at first.☐

Satellite-TV market to boom

At its present rate of production, KLM Electronics soon expects to produce up to 3,000 satellite-television receivers a month, helping to triple the potential sales volume of satellite antennas in 1983. And as supply grows and "cost engineering is performed, the receivers will be positioned in the low-cost, high-volume end of the marketplace—filling a need in rural areas," according to KLM President Peter Dalton.

Last year, the 12-year-old company boosted production to 2,000 units per month, and continued to command the greatest market share, Dalton said; on the whole, he added, the industry shipped about 60,000 units, for a dollar volume of about $180,000 in 1982. Dalton's projections jump product availability to more than 125,000 units in the distribution pipeline by year-end.

For the rural consumer, to whom transmission of network and public TV programming has been ordinarily unavailable, the satellite systems will cost at least $2,795—compared to $25,000 a few years ago—and require only 2½ hours for two people to install.

However, a lack of consumer and dealer awareness remains a major problem in marketing the satellite systems, Dalton indicated: "We were once a 'backyard' industry, manufacturing units in backyards and garages. Now we must take a 'cash-and-carry' approach to reach a broad-base population through mass merchandisers," For example, KLM will shortly be distributing 1,000 units to a Canadian drugstore chain for a cash-and-carry business.

In addition, Dalton suggested that word-of-mouth and the introduction of smaller Direct Broadcasting Satellites (DBS) will help increase public awareness of the benefits of big-dish satellites. ☐

LESLIE A. AZIA

Newswatch

MGM/UA Home Video has established a merchandising hotline—telephone number (212) 975-1597—through which retailers can get information about promotional materials available through the company . . .

Allsop is hopping on the computer bandwagon with a line of computer-maintenance products introduced at last month's Winter Consumer Electronics Show. The new accessories include a head-cleaning diskette, a 'wet-system' audio-cassette cleaner, and a 'Datasette' cassette cleaner . . .

Fox Marketing is now offering a **lifetime warranty on all Fox radar detectors . . .**

Yamaha will enter the car-stereo market this spring with a line of separates and speakers in the mid-to-high-price range . . .

This month **Warner Home Video introduces five more video cassettes** in its 'A Night at the Movies' series, bringing the series to 10 titles. The series matches a movie with a newsreel, cartoon, and coming attractions, all from the same year. Among the new titles are 'The Young Philadelphians,' 'Ocean's 11,' and 'Days of Wine and Roses.' Each cassette is $70 . . .

Chris Mangiapane (shown here with Judy Miller, MART's eastern regional sales manager), advertising manager for Maxell Corp. of America, won $250 in silver dollars in a drawing held during Winter CES for MART's Silver Bonanza package for advertisers.

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MAJOR APPLIANCES

MART
FEBRUARY 1983

Gas-grill sales seen breaking seasonal mold

Suppliers are encouraging dealers to promote grills as gifts . . . and it works

Gas and electric barbecue-grill manufacturers are looking at 1983 as another good year for the industry, suppliers at last month's International Housewares Exposition told MART.

Although no concentrated effort by individual manufacturers exists to get grills out of a seasonal selling pattern, most producers see a trend toward year-round selling. They point out that some mass merchandisers, such as Sears and J.C. Penney's, have been pushing grills as a Christmas item and also for Father's Day gift-giving.

Latest industry figures show that more than 12 million grills were sold last year, of which about 2 million were gas models and less than 90,000 were electric.

As for the gas-grill sales outlook for this year, William L. Fox, president of Charmglow Products, a division of Beatrice Foods Co., said he sees 1983 as "another good year for the industry." He, however, does not see his company spending advertising dollars at this time to get sales out of the seasonal pattern—"maybe in another two or three years," he added. Fox pointed out that some mass merchandisers have advertised grills for Christmas gift-giving; as grill saturation moves up, consumers will see that grills also can be used outside of the traditional summer seasons, he added.

Fox estimates that saturation of gas grills is about 12 percent; total grill saturation is 80 percent.

[Continued on page 43]

Norelco bows out of microwave field

As of the first of the year, Norelco has dropped out of the microwave-oven business. The company had marketed a three-model line of microwave ovens since 1977, primarily through traditional housewares outlets.

According to a Norelco spokesperson, the company left the business because of an inability to make a profit in the category. Norelco never produced its own line, sourcing its microwaves from a major U.S. supplier. The spokesperson said Norelco could not maintain its position in the market while sourcing its ovens. Norelco is said to be clear of product, although some stock remains in distributor and dealer inventories.

Norelco is the second major housewares company to drop out of microwave-oven business recently—a year ago, Sunbeam elected to leave the business. Both companies marketed their lines almost exclusively through housewares outlets.

Norelco had developed a series of elaborate point-of-purchase displays for housewares departments that pointed out consumer benefits, without the need for a retail salesperson.

While Norelco's parent firm manufactures microwave ovens in Europe, those ovens were never marketed in this country. At one time the company considered producing its own line, and even talked of expanding into microwave/convection ovens, but that idea has apparently been abandoned. ☐

Appliance suppliers eye slow recovery

Last year was rough for major appliances . . . but some gains are due

One good thing can be said about 1982—it's over. Sales of major appliances in 1982 were the worst they've been in several years, since the last recession.

Sales and shipments of major appliances were depressed in all product categories in 1982. Some categories, such as room air conditioners, were negatively affected by the weather, as well as by the economy. Other categories, such as dishwashers and built-in ranges, were adversely affected by the decline in new housing. Even categories that had been thought to be recession-proof, such as microwave ovens, declined in 1982.

And according to the Assn. of Home Appliance Manufacturers (AHAM), the outlook for 1983 and 1984 indicates only modest increases in sales and shipments of major appliances. The association has forecast a 7-percent increase in factory shipments in 1983, and an additional 8-percent increase in shipments in 1984. But according to the AHAM projections, sales and shipments will still trail 1981 totals in some categories by substantial margins.

On the positive side, however, looking at the fourth quarter of 1982, for three consecutive months in a row, total factory shipments of all major appliances were ahead 5.3 percent of last year's shipments.

Among the products expected to rebound most strongly in 1983 and 1984 are washers and dryers, microwave ovens, and refrigerators.

Small gains are projected for electric ranges, freezers, and dishwashers. Room air conditioners, after the disastrous 1982 season, will rebound somewhat in 1983 and may reach 3 million units again by 1984, according to AHAM.

Factory Unit Shipments of Major Appliances

	1982	1981	[illegible]	Projections 1983	1984
Room Air Conditioners	[illegible]	3,692,500	[illegible]	2.826	[illegible]
Dehumidifiers	[illegible]	536,100	[illegible]	477	[illegible]
Dishwashers	[illegible]	2,483,700	[illegible]	2.171	[illegible]
Disposers	[illegible]	3,177,900	[illegible]	3.187	[illegible]
Compactors	[illegible]	190,800	[illegible]	161	[illegible]
Refrigerators	[illegible]	4,943,800	[illegible]	4.700	[illegible]
Freezers	[illegible]	1,561,000	[illegible]	1.417	[illegible]
Electric Ranges	[illegible]	2,325,200	[illegible]	2.100	[illegible]
Microwave oven/ ranges	[illegible]	4,322,700	[illegible]	4.337	[illegible]
Washers	[illegible]	4,365,300	[illegible]	4.321	[illegible]
Dryers	[illegible]	2,977,300	[illegible]	2.904	[illegible]
Total	[illegible]	30,259,900	[illegible]	28.399	[illegible]

(add 000)

Admiral introduces ice-cream-making refrigerator/freezer

A second 'lifestyle' unit uses StirFreezing to make frozen desserts

The Admiral Home Appliance Division of Magic Chef has introduced a new type of refrigerator which allows the homeowner to make ice cream, frozen yogurt, sherbet, and the like inside the refrigerator's freezer compartment.

The Refrigerator A La mode makes use of a new technology called "StirFreezing," which uses a self-contained device that fits in the freezer compartment and is coupled with the ice-cube-maker motor. The unit can make a quart of ice cream in 20 to 30 minutes.

"StirFreezing technology is to cold what microwave technology is to hot," commented Chuck Dowd, vice president of sales and marketing for Admiral.

Initially the new line will include a 22-cu.-ft. top-mount, and 22-, 24-, and 28-cu.-ft. side-by-side models. The ice-cream-making feature is said to add about $100 to the cost of the units.

Refrigerators A La Mode is the second in a line of so-called "lifestyle" major appliances to be introduced by Admiral. In 1981, the company introduced the Entertainer refrigerator, with features designed especially for consumers who do a lot of entertaining in the home. The company's marketing plans call for the introduction of a new specialty product every year during the decade of the 1980s.

To introduce the new unit, the firm plans to use network and cable television. The ads will begin running in May, and will feature former football player Alex Karras. A separate trade ad campaign will be run in an effort to solicit new dealers. ☐

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RAC sales to surge: MART survey

Retailers expect room-air sales gains of up to 50 percent and price hikes in 1983

Air-conditioner retailers, for the most part, did not have such a "hot" year in 1982.

What they did have, despite the fact that the majority of them promoted room air conditioners in the pre-season period, were slow sales, higher retail prices, and consumers more aware of energy efficiency.

And, perhaps after having seen 1982's sales pattern, approximately half the retailers who responded to MART's exclusive air-conditioning survey said they will be ordering less product this year than they did in 1982.

But things are not all that glum. More than half of the survey respondents expect to see a better year for air conditioners in 1983. About 19 percent of MART's survey respondents expect to increase air conditioner sales between 11 and 25 percent, while almost 13 percent expect sales to increase between 1 and 10 percent. More than 11 percent even expect to increase sales between 26 and 50 percent.

The median expected percentage change in sales for 1983 is 15 percent.

Only 6.4 percent of those surveyed expect sales to decrease in 1983, compared to the almost 54 percent who actually saw a decrease in room-air business last year. In fact, the median percentage change in 1982 vs. 1981 was a decrease of 14.4 percent. (See chart for breakdown of sales decreases in 1982.)

The median percentage change in retail prices, however, was up 7.1 percent. In fact, almost 72 percent of the respondents reported that retail prices were higher in 1982 than in 1981.

Almost one-third of those dealers surveyed increased their room-air-conditioner prices between 6 and 15 percent, while more than 15 percent increased prices between 1 and 5 percent.

Percentage Change in Retail Prices for 1982

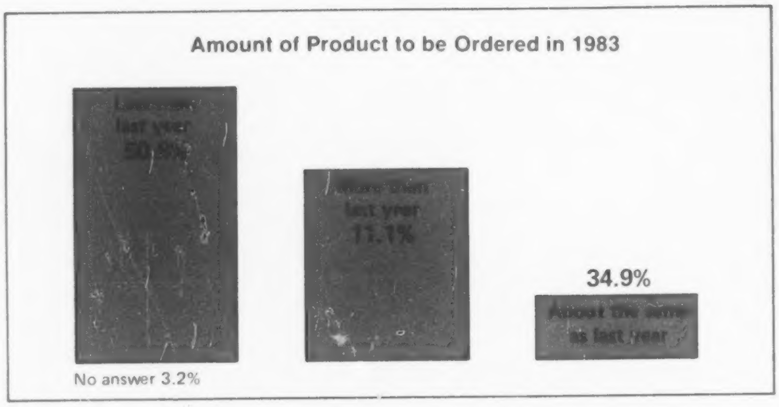
Decrease of 6 to 10%	6.4%
Decrease of 1 to 6%	1.6%
Increase of 1 to 5%	15.9%
Increase of 6 to 10%	22.2%
Increase of 11 to 15%	11.1%
Increase of more than 15%	9.5%
No answer	33.3%

(Median percent change in retail prices = +7.1%)

Proportion (%) of Sales with EER Above 7.5

None	1.6%
Less than 20%	9.5%
20% to 39%	9.5%
40% to 59%	19.1%
60% to 79%	7.9%
80% to 99%	12.7%
100%	6.4%
No answer	33.3%

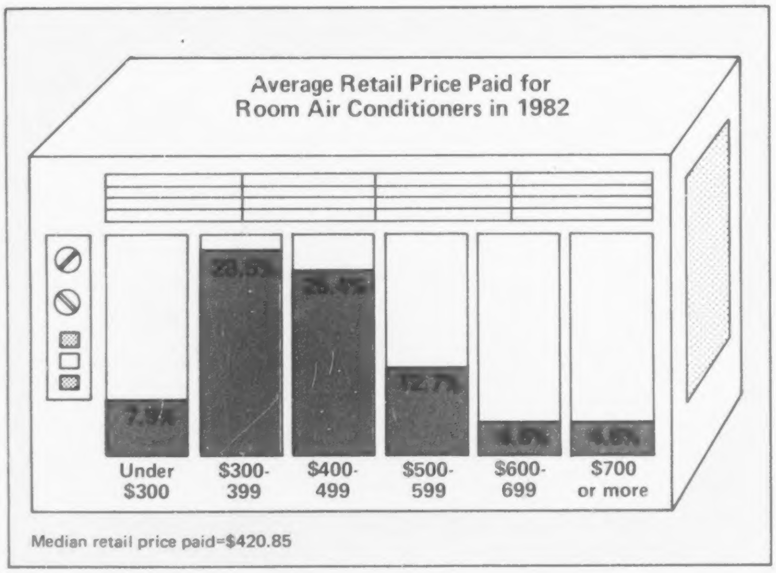
(Median % of sales with EER above 7.5 = 52.3%)


Amount of Product to be Ordered in 1983

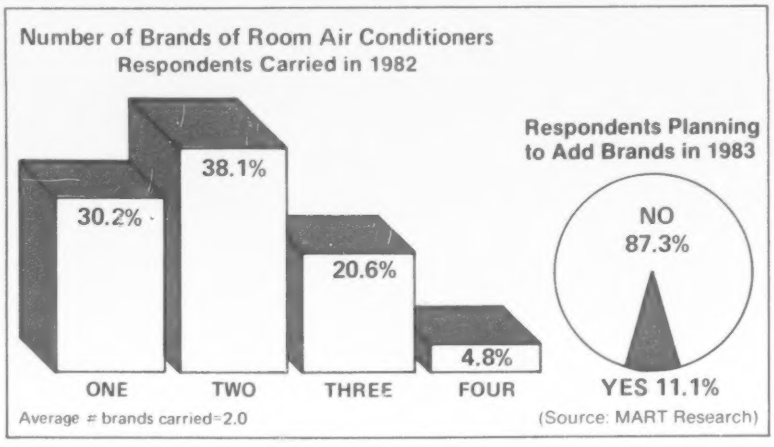
No answer 3.2%

Expected Percent Change in Sales for 1983

1.6% Increase 50%+	12.7% Increase1 to 10%
11.1% increase 26 to 50%	3.2% Decrease 1to 25%
19.0% Increase 11 to 25%	3.2% Decrease 25%+


Average Retail Price Paid for Room Air Conditioners in 1982

Median retail price paid=$420.85


Number of Brands of Room Air Conditioners Respondents Carried in 1982

Respondents Planning to Add Brands in 1983

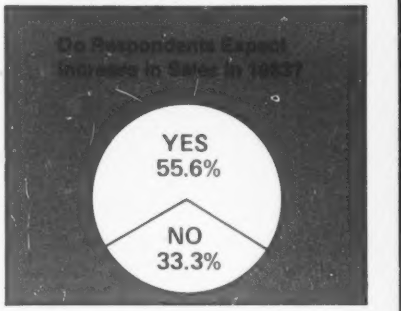
Average # brands carried=2.0

(Source: MART Research)

Room-Air-Conditioner Business in 1982 Compared with 1981

Decrease of more than 50%	3.2%
Decrease of 26 to 50%	17.5%
Decrease of 16 to 25%	19.0%
Decrease of 1 to 15%	14.2%
No Change	3.2%
Increase of 1 to 15%	14.2%
Increase of 16 to 25%	4.8%
Increase of 26 to 50%	3.2%
Increase of more than 50%	3.2%
No answer	17.5%

(Median percentage change in room-air-conditioner business = -14.4%)



Retailers Who Promote Room Air Conditioners in the Pre-Season

Yes	63.5%
No	34.9%
No answer	1.6%

When Retailers Will Order Product for 1983

Earlier than last year	14.3%
Later than last year	28.6%
At about the same time	55.5%
No answer	1.6%

Consumers paid a median price of $420.85 for their room units, the survey revealed. Almost 30 percent of the respondents told MART the average price paid in their store for room air conditioners in 1982 was between $300 and $399. Nearly 26 percent said the average price was between $400 and $499, while more than 12 percent said it was between $500 and $599.

The overwhelming majority (70 percent) of the respondents also reported finding consumers becoming more conscious of energy efficiency in air conditioners. Sales of air conditioners with an energy efficiency ratio (EER) above 7.5 were between 40 and 59 percent for more than 19 percent of the respondents, and between 80 and 99 percent for 13 percent of the respondents. The median percentage of sales of room units with an EER above 7.5 was 52.3 percent.

The majority of air-conditioner retailers also saw a change in their BTU product mix. Slightly more than 22 percent of those surveyed reported that their product mix sold with higher BTUs last year than in 1982, while 27 percent reported a product mix with lower BTUs. Slightly more than half (50.8 percent) reported no change in their BTU sales patterns.

The majority of retailers do not plan to change their room-air-conditioner brand mix, either. The overwhelming majority (87.3 percent) of the respondents said they do not plan to add any new brands; 78 percent indicated that they wouldn't drop any room-air-conditioner brands, either.

The average number of brands carried by the retailers who responded to MART's survey is about two. Almost 69 percent of these dealers carry between one and two brands, more than 20 percent carry three, and only slightly under 5 percent carry four brands. ☐

Peggy Odenbach
Supplements Editor

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March 1983

Retail Credit Thaws Out

Exclusive Consumer Survey: Microwave Ovens

Computer Awareness Sparks Sales

MART

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March 1983

30 years of service to the retailer

Volume 29, Number 7

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MART is not responsible for unsolicited manuscripts.

Cover photograph by Rick Barrick

MART (USPS-854-280)including Electrical Dealer, is published monthly by Morgan-Grampian Publishing Co., 2 Park Avenue, New York, NY 10016, (212) 340-9700. Second Class postage paid at Crystal Lake, Il. 60014. Subscription rates: $30 per year in the U.S. $42 all other countries, airmail $84. Single copy, U.S., $3: all other countries, $6. Publisher reserves the right to accept or reject any subscription. Microfilm copies of complete issues or reproductions of individual articles from microfilm prints can be obtained from Xerox University Microfilms, Ann Arbor, MI 48106.

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Change of address: Send to Circulation Manager, MART magazine, Berkshire Common, Pittsfield, MA 01201. Postmaster: Send form 3579 to Circulation Manager, MART magazine, Berkshire Common, Pittsfield, MA 01201.

Executive officers of Morgan-Grampian Publishing Co.: Domenic A. Muchetti, President; William J. Adams, Vice President, Pittsfield Operations; John Beadell, Vice President, Circulation Systems; Charles Benz, Controller.

Retailers commit 0.5 percent of sales for security devices

Security measures barely keep pace with shrinkage despite 14-percent increased spending

Despite an increase of 14 percent in spending for security and loss prevention by nearly 200 retailers in 1981, shrinkage maintained constant with 1980 levels at 2 percent of sales. And retailers polled by the National Mass Retailing Institute (NMRI) attributed 50 percent of that shrinkage to employee theft. Shoplifting accounted for 30 percent of the loss, and paperwork 20 percent, according to the NMRI study.

To stem inventory loss, these mass merchandisers, department store, and specialty-store operators allocated 0.49 percent of sales on the average in 1981 for loss-prevention programs.

Mirrors were the security device used most-commonly on the retail selling floors, reported 70 percent of the stores surveyed. Yet 45 percent of the sample indicated mirrors to be the least effective method. To increase effectiveness, respondents suggested that mirrors needed to be monitored by additional security personnel.

Electronic tags were named the most effective security device by the sample. However, only 29 percent of this group used them.

Point-of-sale systems, observation booths, and TV monitors were used by at least a third of the retailers.

To help reduce shrinkage due to employee theft—37 percent of which was said to occur at checkout—most of the retailers polled recommended employee training. And improved screening practices, including checking backgrounds, was suggested by more than half of the retail respondents. And more than a third of the mass merchandisers reported increasing use of polygraphs to screen applicants for nonsecurity positions.

Other deterrents to shrinkage were considered to be employee rewards and recognition programs.

On the whole, preventive programs were preferred by this group over prosecution procedures. Only 35 percent of the respondents admitted prosecuting shoplifters, and only 28 percent prosecuted employees.

Even though apprehensions increased 37 percent, fewer companies spent the time and money to prosecute offenders. In 1981, the retailers polled spent only 0.16 percent of sales for prosecution, a slight increase over 1980 levels.

And to control loss due to operations and accounting procedures, POS systems were used by half of the sample. Locked warehouses and sealed trucks were also cited.

The survey further revealed that shrinkage varied in small and large companies. For the majority of companies with sales less than $500 million, shrinkage tended to be higher. And smaller companies tended to spend a greater proportion of sales for security than larger companies. Larger companies reported shrinkage levels as low as 1.3 percent.

For a checklist of loss prevention techniques, retailers can contact Errol M. Cook, Arthur Young & Co., 277 Park Ave., New York, NY 10172; (212) 407-3267. ☐

RETAIL MANAGEMENT

MART
MARCH 1983

NARDA convention offers members the opportunity to lobby their reps

NARDA members will demand congressional feedback on Capitol Hill April 10-14

Many members of the National Assn. of Retail Dealers of America (NARDA) meeting in Washington, DC, for their 40th convention next month will pay a call on their congressional representatives as part of their convention activities.

The theme of the convention, which runs from April 10 to 14, is "Make a Capitol Investment in Your Business." The final day of the convention has been set aside for members to meet with their representatives on Capitol Hill.

"We are urging our members to make appointments in advance with their representatives for that date," said Jules Steinberg, NARDA's executive vice president.

Steinberg pointed out that a number of important pending legislative actions will have a direct effect on retail businesses; he urged dealers to make their views on these matters known.

The Retail Dealer Agreement Act, for example, introduced in the past Congress by the National Office Machine Dealers' Assn., will probably be re-introduced this year. NARDA's executive board has gone on record endorsing its passage.

According to Jules Steinberg, NARDA's executive vice president, the Retail Dealer Agreement Act 'would protect dealers' rights under a franchise agreement.'

"In essence," Steinberg explained, "this bill would protect dealers' rights under a franchise agreement. It would make it impossible for a supplier to add another franchised dealer in a territory without first giving other existing franchised dealers in the territory a 60-day advance notice. With such a notice, the dealer can decide, "if he or she doesn't want to live with this new franchise, to sell off

[Continued on page 21]

Consumer electronics continue to perform well

NARDA's '82 sales index shows few product categories had sales gains last year

What kind of year was 1982 for appliance/TV retailers?

Not real great, according to the annual year-end sales index compiled by the National Assn. of Retail Dealers of America. NARDA members registered sales gains in only five product categories—three of them in consumer electronics—while two more stayed even with 1981 totals. The other 12 categories NARDA monitors fell into the minus column—it was a tough year, especially in white goods.

The five product categories that were up in sales for NARDA dealers last year were:

- Video cassette recorders, up 59 percent.
- Portable color television, up 12 percent.
- Radio, up 9 percent.
- Vacuum cleaners, up 6 percent.
- Microwave ovens, up 3 percent.
- Sales of tape recorders and black-and-white portable TV sets were unchanged from the previous year.

Falling below 1981 in sales were:

- Refrigerators, down 1 percent.
- Console color TV, down 3 percent
- Washers, down 4 percent.
- Dryers, freezers, and electric ranges, down 5 percent each.
- Gas ranges, down 7 percent.
- Disposers, down 9 percent.
- Dishwashers, down 11 percent.
- Console stereo, down 12 percent.
- Audio components, down 14 percent.
- Air conditioners, down 20 percent.

Based on December sales data, 10 categories showed improvements in gross margins, however. Audio components provided the strongest margins—33.6 percent, up from 32.8 percent in 1981—for NARDA dealers. Tape recorders showed the largest jump, from 27.8 percent margin in 1981 to 33.5 percent last year.

Other categories and their margins were:

- Console stereo, 30 percent (up from 28.4 percent in 1981).
- Radio, 27.4 percent (up from 26).
- Vacs, 26.5 percent (up from 22.3).
- Freezers, 26 percent (up from 23.5).
- Air conditioners, 25.3 percent (up from 17.9, 1981's lowest margin).
- Dryers, 25 percent (down from 25.7).
- Disposers, 24 percent (down from 26.5).
- Washers, 23.5 percent (down from 24.4).
- Portable color TV, 23.2 percent (up from 23).
- Electric ranges, 23 percent (down from 25.8).
- Gas ranges, 22.9 percent (down from 26.1).
- Microwave ovens, 22.5 percent (up from 22.1).
- Refrigerators, 22.3 percent (down from 23).
- Dishwashers, 22.2 percent (down from 23.6).
- Black-and-white portable TV, 21.7 percent (down from 22.1).
- VCR, 21.3 percent (up from 18).
- Console color TV, 21.1 percent (down from 22.2). ☐

JACK BLOOD

Retail Management

NARDA dealers tackle Congress at next month's DC convention

[Continued from page 9]

the supplier's merchandise before that franchise starts carrying the brand."

Resale price maintenance—or as it used to be called, fair trade—"will appear in one form or another before Congress this year," Steinberg believes.

"We feel dealers should make their wishes known on this particular subject," he said. "The association's official position is that every manufacturer should have the right, if the firm wishes, to establish the price at which its products must be sold to the public. In other words, we are not urging all manufacturers to embark on a modern version of fair trade, but we are saying that manufacturers should have the right to decide if they want to do this or not."

> *'If the economy . . . remains in the recession, the dealer's problem is to sustain volume.'*

Old issues such as Post Exchanges are still around for dealers to discuss with their congressional representatives, Steinberg added: "The association has never made much progress in keeping PXs from underselling dealers in their territory."

What problems will dealers at the convention discuss among themselves or from the platform other than legislative issues? "Undoubtedly, one of the subjects to come up will be franchise protection," Steinberg told MART. "Dealers need franchise protection. Other problems that will probably be discussed include the perennial one of competing with large mass merchandisers which retail the same products at or near the independent's costs."

Merchandising new products such as micro-computers will also be discussed, he suggested.

"Comparatively little experience exists in the field in this area," Steinberg said, "so dealers will be very anxious to talk with those few who are selling computers to find out how it's done."

Another subject Steinberg sees as very big at the convention will be the future of "electronic mail": "Now that the NARDA test period is over and we have made 'electronic mail' a permanent service of the association, we will be demonstrating it at the convention and heavily promoting it." (See related story on this page.)

To Steinberg, however, the primary problem facing electronics/appliance dealers is the current national economy: "If the economy continues to spiral downward or remains in the recessionary mode, the problem for dealers is to sustain volume. As consumers become more strapped for disposable income, we can expect some cutting back on discretionary purchases. We've been very fortunate so far in the products our retailers sell—they have been products to which people gravitate when they don't spend money on vacations and things of that nature. But if the recession continues, we will see some cutbacks even on that kind of buying.

"I don't think dealers can do much to help themselves in this kind of economy, except to be on the look-out for new products which might fit into a recessionary economy—products perhaps which cost less," Steinberg added.

"On the other hand, if the economy improves it will be essential for dealers to take full advantage of it. But dealers need to be careful that in their exuberance and enthusiasm they do not over-expand." ☐

ART WEINBERG

Newswatch

The UJA Federation will hold its annual electronics-industry dinner at the Sheraton Centre in New York City March 26. Sol Gold, executive director of NATM Buying Corp., and Les Turchin, president of Tops Appliance, Edison, NJ, will bew honored at the dinner . . .

CFR Sales Co., of Culver City, CA, was recently named **'Maxell 1982 Marketing Rep of the Year'** . . .

Russ Chamoley, manager of the largest Remco store, located in Houston, was recently chosen **1982 Remco Manager of the Year** . . .

Video Shack recently opened its tenth store, in Huntington, NY . . .

Sales prospects for 1983 look pretty good to Alan Wurtzel, president of Wards Co. 'We see the **demand for appliances accelerating** as the housing industry and the economy emerge from the current recession,' Wurtzel commented. 'We also see the strong demand for electronics continuing to accelerate as exciting new products and a healthier economy come on stream' . . .

'Electronic bulletin board' offers computer link

NARDA has kicked off an 'electronic bulletin board' service for its members, enabling them to send and receive messages to and from NARDA headquarters, or any other program participants.

Any retailer, distributor, or manufacturer with an in-house computer or terminal can link up with the service by paying a $25 fee, plus a charge of 10 cents per line for each message sent. The system operates 24 hours a day, seven days a week.

This new program is designed to aid in improving communications between retailers and suppliers, and in reducing costs of distribution, according to Jules Steinberg, executive vice president of the National Assn. of Retail Dealers of America.

'With the possibility of getting daily sales reports right off retail sales floors, transmitting up-to-the-minute price changes and inventory availability information, a distributor may not be able to eliminate, but can surely reduce, travel time and expenses for his salespeople, while maintaining better-than-ever contact with his accounts,' Steinberg explained.

Also, 'The dealer could order merchandise on the system, and receive next-day confirmation and shipping information, as well as any other data the supplier may wish to transmit,' he added.

NARDA has been testing this program for 18 months.

Financial execs expect improvements in appliance sales, profitability in 1983

Commercial-credit and financial executives see reason for cautious optimism about the appliance business in 1983, forecasting a modest increase in sales, an improvement in net profits, a moderating of business bankruptcies, and collections holding at about 1982 levels.

In its annual survey of 17 major industries, the New York Credit & Financial Management Assn. found that 59 percent of its member-respondents predict an improvement in sales, 25 percent believe sales will hold at the 1982 mark, and 16 percent feel sales will decline in the year ahead.

The electrical-household-appliance business was singled out for significant sales gains: 63 percent of executives surveyed in the appliance industry indicated that they expect business to be better in 1983 than it was in 1982. And fully 75 percent of the respondents feel profits will be higher in 1983 than last year. ☐

What is your outlook for the appliance industry in 1983?

Sales better than 1982	63%
Sales worse than 1982	0%
Sales unchanged	37%
Net profit better than 1982	75%
Profit not as good as 1982	25%
Profit unchanged	0%
Customers are building their inventories	0%
Buying normal requirements only	75%
Reducing their inventories	25%

Source: New York Credit & Financial Management Assn.

What if the economy doesn't pick up this year?

If 1983 is expected to be a big major-appliance-replacement year, what if the economy doesn't cooperate, dealers ask?

Robert Tucker, Weber's World of Anheim, CA, observed that manufacturers repeat this refrain year after year. "I think everything is based on the economy. Fewer people are working now and are still very cautious about how they spend their money—they're pessimistic," Tucker said. "The upturn in the appliance business won't be a real one until people become more optimistic."

John Fisher, Fisher's of Cherry Hill, commented: "I believe the replacement market has been strong for some time. If it gets stronger, I'll be happy about it. This could be the year for replacement sales." ☐

$ MART MONEY MAKER

'To sell more video tape, put a box of tape on top of a video cassette recorder as you sell it, and then ask the customer, "Is that enough?" Or put tape in multi-packs up by the check-out counter, where the customer can't miss it leaving the store.'

—Bob Burnett,
3M Audio/Video Products

Most dealers see the credit situation bouncing back in '83: MART survey

Retailers lost sales in '82 because of tight credit, MART's survey indicates

Despite a poor economy in 1982, with rising interest rates, hard-to-obtain credit, and a higher cost of living, most consumer-electronics and appliance retailers survived the crunch and are optimistic about the year ahead.

An exclusive survey conducted by MART indicates that almost three-quarters of the 676 retailers who responded expect the credit situation to be better in 1983 than it was last year.

"We could see things picking up in the last two months of '82 and in January of this year," one retailer told MART. Another respondent added, "With interest rates coming down, 1983 should get better."

"It has to get better; it can't get any worse," said yet another dealer, adding that his business actually improved in October, 1982.

However, almost 95 percent of MART's survey respondents indicated they lost sales last year due to the tight credit situation.

Mentioned as hardest-hit product categories were TV/projection TV (by almost 35 percent of the respondents), major appliances (by almost 30 percent), audio systems (by almost 15 percent), and microwave ovens (by almost 8 percent).

Floor-care products, computers, and video products each were mentioned as having been affected by the credit crunch by 2.3 percent of the respondents.

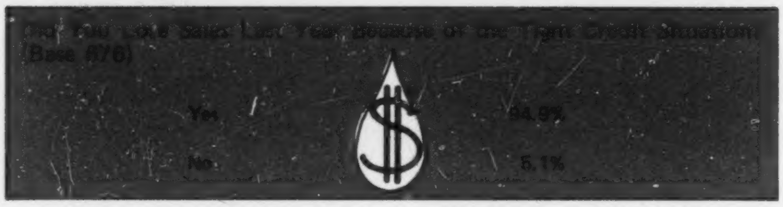
> *'If the credit companies want to make money, they will have to lend. And they might also consider giving business advice to customers.'*

The retailers responding to MART's survey largely represented appliance/TV and electronics-only stores. Appliance TV dealers represented 37.5 percent of the total respondents; electronics-only dealers, 20 percent.

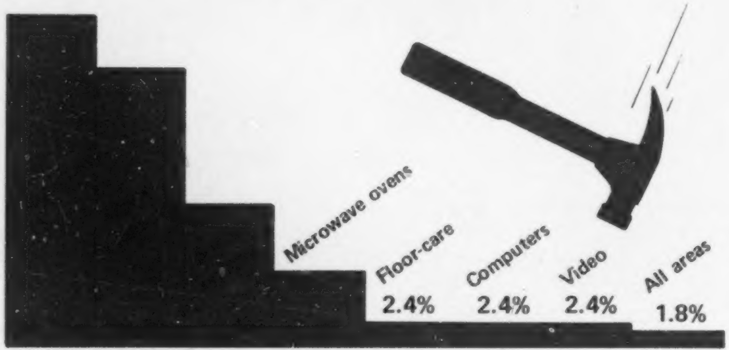
Almost 12 percent of the respondents operate specialty stores, almost 8 percent identified themselves as mass merchandisers, more than 5 percent said they had furniture/appliance stores, and 4 percent said they represent department stores. Home/auto supply and video stores were each represented by 2.3 percent of the respondents and catalog showrooms by slightly more than 1 percent.

Despite having lost sales due to the tight credit situation in 1982, these retailers did not have any trouble financing their stores' inventory—at least, 62.2 percent of them said they didn't.

These retailers were also split on whether they made more or less use of manufacturer/distributor floor-planning in 1982. Slightly over 48 percent said they used more floor-planning, while almost 43 percent said they used less.

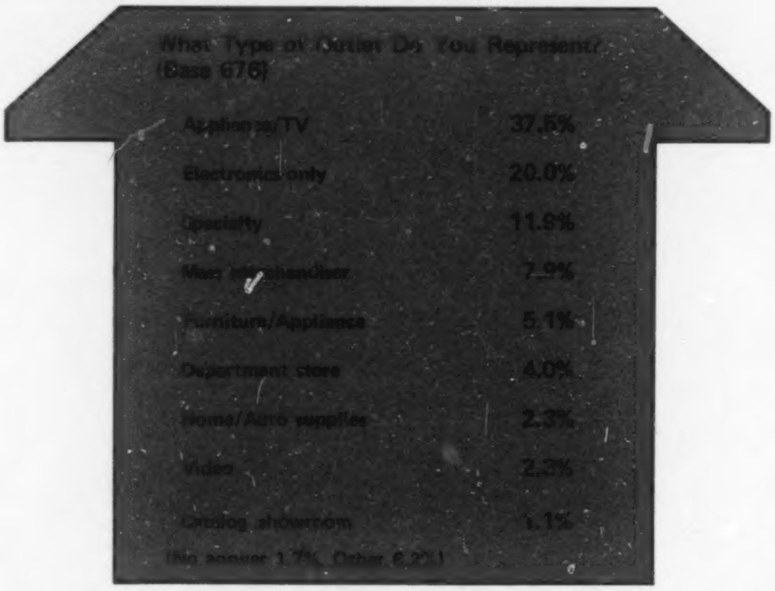


Which Product Categories Were Hardest Hit by the Tight Credit Situation? (Base 667)



(Other 2.4%, No answer 3.6%)

*Adds to more than 100 per cent due to multiple responses



Did you have more trouble financing your store's inventory in 1982? (Base 676)

Yes	31.3%
No	64.2

(No answer 4.5%)

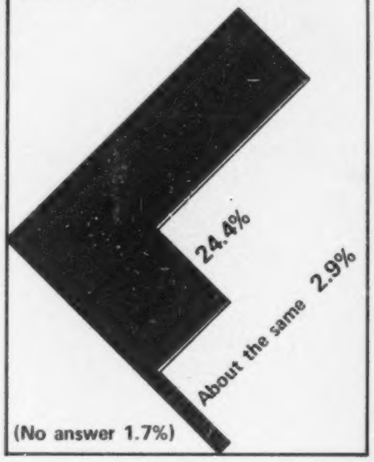
Did your customers have more trouble securing financing for purchases in 1982? (Base 676)

Yes	68.7%
No	29.0

(No answer 2.3%)

Source: MART Research

Do You Expect the Credit Situation in 1983 To Be Better or Worse than in 1982? (Base 676)



Less than 2 percent of those responding to the survey said they used about the same amount of floor-planning as the year before; almost 4 percent said they did not use floor-planning at all.

Commented one retailer about floor-planning, "Manufacturers must help, like Maytag and GE, but with no gimmicks like credit and flooring tied together."

Another respondent added, "Manufacturers' subsidies have to help more than they do now. Banks are too prosperous to care."

"If the credit companies want to make money, they will have to lend. And they might also consider giving business advice to customers," another respondent told MART.

Yet another retailer would like to see "floor-plan companies (BWAC, WCC, etc.) get into retail credit in a streamlined and bigger way."

Not only retailers affected by the credit situation, but also consumers, had more trouble securing financing for their purchases last year, said almost two-thirds of the dealers surveyed.

"Customers are weighing expenditures very carefully," said one dealer. Another noted that most consumers with whom he comes in contact contemplate the purchase first—few products are bought on impulses these days.

Only 3.1 percent of MART's survey respondents offer their own store credit card. However, the majority (73.3 percent) do accept major national credit cards, such as Visa.

Many customers, however, are not carrying cash with them and not charging like they used to, retailers told MART.

"I'm finding more people paying by cash and check and not even inquiring about financing," said one retailer.

"When customers find out we don't use credit cards, they just use a check," another dealer said. ☐

PEGGY ODENBACH

Autosound suppliers gear up for '83 gains

Car-stereo industry boosts second-quarter advertising to reach wider audience

When the spring selling season kicks off in the second quarter, car-stereo manufacturers will be revving their merchandising engines, supplying dealers with larger shipments and increased advertising dollars aimed at attracting a broader consumer base.

According to projections provided by the Electronics Industries Assn.'s Consumer Electronics Group, sales to dealers of autosound equipment are expected to reach $1.4 billion in 1983, compared to $1.3 billion last year. And more than 13,000 car radios, representing $1.1 billion wholesale, are expected to be in the distribution pipeline to dealers this year (see chart on page 28).

In addition, 1983 product offerings will be heavy in improved sound features—directly translatable into consumer benefits—at mid-line price points ranging from $200 to $400, according to suppliers.

"This year is beginning somewhat similarly to 1982: the first few months will be slow. But unlike 1982, as the spring season picks up, business is going to break loose," projected Sparkomatic Vice President of Marketing Jim Pedranti.

"I'm predicting at least a 5- to 10-percent growth rate, and that's conservative. The autosound industry has matured a lot, so the growth rate is no longer moving by leaps and bounds. But anywhere from an 8- to 12-percent growth rate is still healthy," he told MART.

'As spring picks up, business is going to break loose': Pedranti

Pedranti observed tremendous dealer confidence at the recent Winter Consumer Electronics Show: "My dealers are almost bullish. They had a decent Christmas, their inventories are low now, and although January and February were a little flat, reorders are already coming in.

"Because of the high cost of financing, retailers were too conservative with their open-to-buys last year. So they ran out of stock, and sales suffered. But now the economy is strengthening, money is opening up, and retailers are more willing to place orders with heavier quantities," he continued.

Pedranti credited the strengthening

[Continued on page 28]

CONSUMER ELECTRONICS

Software packages push computers

Computer suppliers feel their competitive edge is the software included in the hardware price

As consumer awareness about owning a personal computer increasingly heightens and prices continue to come down, "making the system simple" is the strategy many hardware companies are taking to attract the unsophisticated user.

In addition computer suppliers are offering attractive deals which include expensive software packages with the purchase of the console.

However, the personal computer market is still split in many segments as far as price and use. There are the lower-priced entertainment-type systems—home computers, which split again into two categories. Home computers are used for balancing checkbooks and light accounting, or for home business use. And, then there is the small business market for businesses which are not large enough for a business computer company to call on.

The Aquarius system has a 49-digit moving-keyboard, a thermal printer, data recorder and a mini expander with hand controllers to enhance game play.

Sales, however, continue to grow in all categories. Industry sources estimate that between 3½ to 5½ million units will be sold by year-end 1983.

"There has been mammoth growth in the home computer (family-at home computers under $500) segment, and this growth will continue throughout 1983," said Jon Campbell, manager-press relations of Texas Instruments, Inc., "Volume will more than double in 1983; it might even triple," he added.

(Continued on page 36)

Telephone suppliers expect strong gains this year

Spring introductions feature cordless and programmable phones to boost demand

With spring new-product introductions on their way, telephone manufacturers are looking forward optimistically to a profitable year.

Webcor Electronics, for example, expects to at least triple or perhaps quadruple sales of all its phones within the next 12 months, according to Larry Reichenstein, vice president.

In addition to the company's two existing cordless models, Webcor introduced three new cordless phones at the recent Winter Consumer Electronics Show in Las Vegas.

The new leader model at $119 is streamlined Webcor Zip 585, which has a remote range of 750 feet and a hidden antenna. Retailers can expect delivery in April.

Webcor's Zip 500 is a dual-range cordless phone—offering a 100-ft. range without antenna or a 750-ft. remote range from the base station with extended antenna. The handset comes with a rechargeable cradle, separate from the base station. The base station, handset, and cradle have a combined suggested retail price of $159, according to Reichenstein. An additional handset with the cradle lists for about $120.

American Bell unveils two phones with redial capability, timer, touch-sensitive keyboard. Tobias

A three-in-one cordless phone, the Webcor 512, is a hands-free speakerphone when the handset is in the base, a cordless phone for moving about, and an intercom system. Suggested retail price is about $300.

The best feature of model 512, Reichenstein said, is that it is digitally encoded, with 512 codes per channel, so no one can access the line.

American Bell is also anticipating a good year, especially with its new introductions. According to Randy Tobias, president, American Bell Consumer Products will address the telecommunications and information needs of two large and important markets—some 80 million homes and 7 million small businesses.

New from American Bell are the Touch-A-Matic 1600 and Genesis phones. Both can be programmed to dial frequently used numbers, and have three color-coded emergency numbers and touch-sensitive keypads.

The Touch-A-Matic 1600, at about $150, offers automatic redial function, a display screen which shows the number dialed and/or time and date, an elapsed-time feature which can time calls, and a 12-number memory.

The Genesis, at about $350, is a telephone console with a 10-number memory, a timer, and an alarm clock. It also has a speakerphone, hold button, ringer adjustment, and a save-and-send feature

[Continued on page 32]

Car Stereo

Car-stereo tactics target fidelity at mass-market levels

[Continued from page 23]

of the Japanese yen for the current price stability in car stereo and for the increased orders. "As soon as shipments move through the warehouses, inventory will see 18-percent-higher levels. And by fall or late spring, there'll be an upward trend in pricing," he speculated.

Kenwood Electronics is another manufacturer that reported enthusiasm at Winter CES. "I'm forecasting increases for the first half of 1983. We introduced three new pieces at the show, and reception has been incredible," noted Dan Petersen, director of car-audio sales and marketing.

With stable pricing in mind, Kenwood is increasing production of car stereos. "Inventory control was not a problem coming out of 1982. In fact, our dealers needed more stock," he told MART.

However, Kent Davidson, Craig Corp.'s vice president of marketing, offered a tempered note amidst the abounding enthusiasm, "We've seen fantastic enthusiasm—more than last year. We had an outstanding December, and we're going to see a turnaround in the second quarter. We have even solved our inventory problem; inventory is no longer at hand-to-mouth levels.

"But the economic recovery is mild. And rather than getting carried away with enthusiasm, dealers must watch their inventory and sales levels monthly. They should keep good records, and chart the effects of promotions," he suggested.

Davidson also offered a further warning to the car-stereo industry: to watch the future development of the chassis. "There's going to be confusion in the next two to three years due to changing chassis-size configurations. As the chassis change, and demand levels for product vary, inventory control will be difficult to achieve," he added.

A variety of product—confusing consumers at both the specialty and mass merchandising levels—already exists, suppliers agree. ETRs and noise-reduction systems were mentioned most often by suppliers as the hot features jazzing up car stereo this year. "Noise reduction adds value to the car," noted Reese Haggott, executive vice president of Alpine Electronics of America.

'We need to address ourselves to a broad consumer base': Fredriksen

"Noise-reduction and DBC are here. But AM stereo will have no impact on 1983. Perhaps by model year '84, debuting September, 1983, it will be a feature offering, stimulating the marketplace," said John Crawford of Delco Electronics.

"Car-stereo customers today are looking for audio-related features," concurred Sanyo Electric Senior Vice President of Sales and Marketing Art Westburg. "They are second- or third-generation buyers who have owned a car stereo before. Now they want to upgrade their home-audio system, and appreciate good sound value.

"So the next step is upgrading the car system. For this reason, our line is heavy in features such as Dolby noise-reduction and high-power ratings," he added.

'About 20 race-related promotions tie in with local dealers': Matthies

Variety reigns on the mass-merchandising level as well, according to Larry Kraines, president of Kraco Enterprises: "So much product is available on the mass-merchandising level that consumers are confused. A lot of the product categories are promotionally geared, and some are high-end. So many mass marketers are mixing low- to high-end products, including Dolby Sound, noise-reduction, and auto reverse—key feature customers are looking for."

Popular price points are as divergent as product offerings. Car-stereo suppliers indicated that digital ETRs priced at $250 account for the bulk of the market. However, Kraines reported that price points under $200 were popular at the mass-market level.

And Alpine's Haggott suggested that higher-end product yields greater profitability: "Higher-end systems can be sold, and they generate greater profit per square foot as well as higher turn velocity."

Midland Vice President of Marketing and Sales Bill Atkins is one manufacturer reporting no trouble with retail turns: 'We're seeing turns as frequent as six to eight. Although most price points are in the $65-to-$250 range, we're seeing more customers upgrade for $250-to-$400 systems. We're also seeing growth in high-end electronic tuning.

"And we're expecting a 40-percent increase due to our mobile audience and two-step distribution market. This year we're going to be addressing both parts of the industry by selling direct and through distributors," he explained.

Noticeable growth in the second quarter for product up to $400 at retail is in the picture for Clarion Corp. of America, according to Fred Deutsch, vice president of marketing and product planning. "So we're taking a strong mid-line position," he said.

"Why change our success formula? In fact, our dealers are trying to slow us down. Inventory turn is once a month, and our market share doubled from October 1, 1981, to September 30, 1982."

Yet when all is said and done regarding price and product, high fidelity remains at the heart of most suppliers' marketing plans. "A lot of product is out there. But we must relate product to consumers in terms of better sound and listening pleasure." summed up Pete Fredriksen, vice president and general manager of Jensen Car Audio.

"National advertising should promote consumer benefits rather than highlight specific product at certain price points. Advertising should also avoid segmenting the population or limiting demographics solely to the 18- to 24-year-old group," he stressed.

This year, Jensen Car Audio is increasing its advertising budget by 25 percent in order to broaden its market, explained Fredriksen. "We're increasing our print advertising alone up to 60 to 65 percent in order to reach all demographics. And we're going to use general-purpose and special-interest magazines, rather than only typical media such as *Rolling Stone* and *Playboy*," he told MART.

AUTO SOUND EQUIPMENT

Total Factory Sales in Millions of Dollars	
1980	1,368
1981	1,248
1982 (proj.)	1,300
1983 (est.)	1,400

Source: EIA/CEG

An extensive syndicated radio campaign is also in the works for Jensen. Spots are scheduled to be broadcast during regularly scheduled programs, rock concerts, and top-40-type shows, he said.

"We're also making our first venture into cable TV—TV is expensive, but cable is cheaper," he added. The 30-second commercials will air over Music Television (MTV).

Broad market appeal is also Kraco's goal. To this end, the company sponsors races on national TV, which provide retailers with promotional themes and point-of-purchase materials.

In addition, the ads identify Kraco with popular sports. "We want to reach a board base of people, and we find that people really do like football." explained Kraines.

For Pioneer Electronics (U.S.A.), the college-age market remains a large share of its target audience. To promote its new line of Maxxial speakers, consumer ads will appear in 15 to 20 magazines, directed at students as well as the female population and different kinds of people, according to Jim Matthies, senior vice president of marketing.

"The speaker business is growing. So we're stressing speakers at better price points," he said.

Pioneer has also prepared several glossy posters suitable for college campuses, aimed at promoting car stereo to students. "It's called the 'Wall Paper Journal,' a tongue-and-cheek parody on the *Wall Street Journal*. The bottom one-third of the poster-size ad addresses the college market," Matthies told MART.

In addition, Pioneer is once again sponsoring drag-racing driver Shirley Muldowney. The sponsorship is intended to reach a wide demographic group and to provide dealers with promotional tie-ins. "About 15 to 20 race-related promotions tie in with local dealers. And occasionally Shirley will make an appearance," he added.

A number of sound vehicles—including a large bus and a 35-ft. trailor—are also painted with Pioneer graphics, promoting product. The interiors are equipped with product for demonstrations.

"The vehicles will make about 60 promotional stops, including race and non-race events, when the selling season starts in the spring," Matthies added.

In the spring, Craig will be beefing up promotional support by up to 10 percent, revealed Davidson. "We're going to offer dealers more co-op. Due to a slow winter, a lot of promotions are necessary."

And Kenwood will be increasing advertising by 30 percent in June through November, noted Petersen.

And come spring, Sparkomatic will also launch a heavy consumer advertising program to attract its key 16- to 35-year-old male audience. "We're increasing our advertising by 50 percent, but we're adjusting our media to grow with our major buyers. As the war babies get older, the population is bulging, and females are becoming a larger percentage of our audience," said Pedranti.

"Therefore we're going to cover three spectrums, advertising in male-oriented magazines such as *Penthouse* and *Playboy* as well as specialty magazines such as *Rolling Stone*. We're also looking at other general-appeal media such as *Car & Driver* and *Motor Trend*," he told MART.

Sparkomatic's 1983 multi-million-dollar advertising campaign will break in April magazines. ☐

Leslie A. Azia
Managing Editor

CONSUMER SURVEY **Microwaves**

Appliance/TV stores are gaining in microwave share: MART survey

Welcome to MART*'s fourth annual survey of microwave-oven owners.*

The charts and tables presented in this article are based on the results of an extensive consumer survey conducted in December and January. MART *sent questionnaires to more than 3,000 known recent purchasers of microwave ovens, and nearly 40 percent—1,150 microwave-oven owners— returned completed questionnaires.*

The information pulled from the survey responses gives an accurate portrait of the state of the microwave market. Who is buying microwave ovens? Where are they buying their microwave ovens? Do they do much shopping? How much do they pay for their microwave ovens? How often do they use their microwave ovens, and what do they use them for? How many microwave accessories have they bought? Where do they buy accessories? And how much do they spend on accessories?

The microwave-oven business, like the rest of the appliance industry, suffered a decline in sales in 1982—factory unit shipments were off by about 8 percent to just over 4 million units. Manufacturers are confident that sales and shipments will rebound in 1983 to at least the sales levels of 1981, about 4.4 million units.

The microwave-oven market is broadening. More than 23 million U.S. households now own a microwave oven—more than one home in four own and use a microwave oven.

Who is buying?

MART's survey shows that it is not as easy to classify microwave-oven owners as it used to be. In past years, microwave-oven purchasers tended to be young, affluent, educated, and upwardly mobile families, generally with two incomes—that is, with both husband and wife working.

This most recent MART survey showed an appreciable increase in the number of older consumers purchasing microwave ovens. Just about one in four (24.8 percent) of this year's survey respondents was 55 years old or older. A year ago, only about 16 percent of the respondents were 55 or older.

On the other end of the scale, about 35 percent of this year's survey respondents were 35 years old or younger. In last year's survey, 48 percent of the microwave owners who responded were 35 or younger.

The weak national economy had a definite impact on the microwave-oven market.

Proportionately fewer low-income families bought microwave ovens in 1982 than in recent previous years. In the current survey, 12.6 percent of the respondents indicated they had a family income under $15,000. A year ago, about 20 percent of the survey respondents had a family income under $15,000. More than half of this years's survey respondents (51.9 percent) had family incomes above $25,000.

As market saturation expands, and more consumers see microwave ovens in use in the homes of friends and relatives, sales can be expected to accelerate.

Word-of-mouth is far-and-away the most effective advertising medium. Fully 64 percent of the respondents to the survey said they first got interested in microwave cooking at the recommendation of a friend. On the other hand, less than 15 percent of the respondents said it was TV or newspaper advertising that initially got them interested in microwave cooking.

Where are they buying?

Today's microwave-oven customers are very careful shoppers. They're shopping more often, they're visiting more stores, and price is becoming a more important factor in their purchase decision.

In the most recent MART survey, the typical microwave purchaser said he or she shopped in an average of 3.2 stores before buying the oven. And, on average, these consumers visited the store where they purchased the oven twice before making the purchase.

More than half the respondents to the most recent MART consumer survey (54.7 percent) said they purchased their microwave oven at an appliance/TV store—a somewhat higher proportion than in previous surveys. Another 7.4 percent bought their ovens in a microwave specialty store. The proportion of con-

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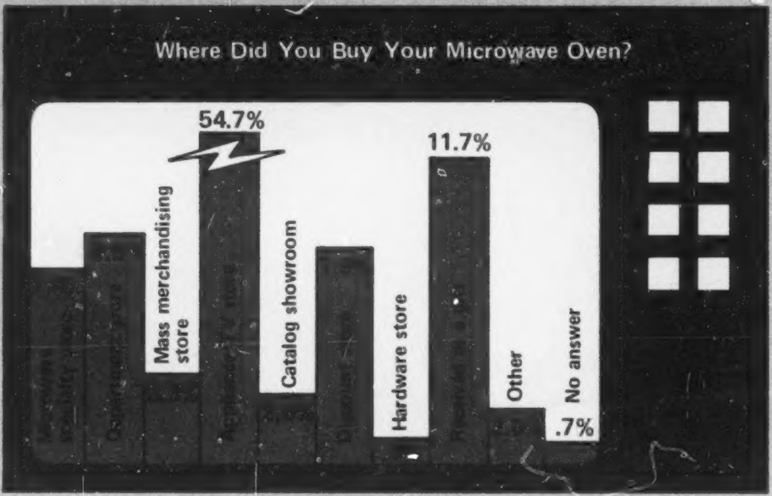


How Did Your First Get Interested in Microwave Cooking?

Store demonstration	4.8%
Magazine or newspaper ad	5.9%
Salesperson's recommendation	2.0%
Friend's recommendation	64.0%
Television commercial	7.0%
Relative's recommendation	6.3%
Previous experience	8.3%
Other	7.5%
No answer	2.4%

How many times did you visit this particular store before buying the microwave oven?

1	33.9%
2	29.0
3	9.5
4	2.9
5	1.2
6 or more	2.1
No answer	21.5
Mean: 2.0	

How many other stores did you shop in before buying the microwave oven?

0	33.6%
1	9.9
2	12.9
3	15.6
4	10.1
5	3.8
6 or more	6.3
No answer	7.8
Mean: 3.2	

Did the store where you bought your microwave oven offer a cooking school?

Yes	35.2%
No	61.7
No answer	5.5

If yes, did you attend the cooking school?

Yes	37.3%
No	60.0
No answer	2.7

What was your reaction to the salesperson?

Knowledgeable about product	45.5%
Pushing one brand over another	3.9
Helpful and friendly	57.5
Used 'hard sell'	.8
Not knowledgeable	4.8
Willing to negotiate price	7.2
No salesperson available	6.5
No answer	3.4

Did the salesperson demonstrate the oven for you at the time of purchase?

Yes	35.3%
No	61.7
No answer	3.1

What factors were most important in your decision on which microwave brand to buy?

Manufacturer's reputation	36.6%
Price	29.4
Ease of operation	25.2
Exclusive features	22.7
Appearance or styling	11.4
Size or capacity	24.7
Friend's recommendation	7.6
Salesperson's recommendation	10.3
Free accessories	1.4
Rating in Consumer Reports	1.1
Warranty	1.3

CONSUMER SURVEY
Microwaves

Microwave owners are happy with their ovens, and use them a lot

[Continued from page 42]

sumers who bought their microwave ovens in department stores, mass merchandising stores, catalog showrooms, and discount stores, stayed about the same as in previous surveys.

Only about 35 percent of the survey respondents indicated that the retail salesperson demonstrated the microwave oven for them at the time of purchase. About the same number (35 percent) said the store where they purchased their microwave oven offered a cooking school. But somewhat surprisingly, less than 40 percent of those consumers who were offered a cooking school bothered to attend.

How much do they pay?

Perhaps the greatest change in the microwave-oven market in the last few years has been in pricing. In today's market, prices at retail are considerably lower than they used to be.

In the last two years, especially, the over-$600 market has all but dried up. Only about 6 percent of this year's survey respondents reported that they paid $600 or more for their microwave oven. In fact, only a little more than 30 percent of the respondents reported paying as much as $450. About 30 percent of the respondents said they paid between $350 and $450, and 36 percent paid less than $350.

Statistically, the average price paid by all of the survey respondents was $402.

Of those consumers who bought their microwave oven in an appliance store, the average price paid was somewhat higher—$421. The average price paid in all other types of retail outlets was $369. So it would appear that the appliance TV store has maintained its sales advantage in the more profitable high-end sales.

Regionally, the average price paid was highest in the Northeast. Consumers in northeastern states paid an average of $422 for their microwave ovens; consumers in the Midwest paid $408, on average. Consumers in the South paid an average of $393, and West Coast consumers paid an average of $389.

Microwave-oven usage

Ask a woman—or man—who owns one. Consumers who own microwave ovens swear by them. Fully 95 percent of the survey respondents said they would buy another. And nearly 90 percent said they would buy the same brand again.

While not all consumers use their microwave ovens for the same functions, or like them for the same reasons, a genuine enthusiasm exists for the microwave oven and for microwave cooking.

We gave MART's survey respondents a chance to comment on what they liked and disliked about their ovens, and the plusses far outweighed the minuses.

A woman in Michigan said, "The microwave oven is so convenient when you're in a rush. And you don't have to contend with extra grease on many foods."

What Do You Like Best About Your Microwave Oven?

Speed of cooking	76.6%
Easier cleanup	10.6%
Energy savings	11.7%
Faster defrosting	12.7%
Fewer pots and pans to wash	13.0%
Cooler in the kitchen	8.5%
No answer	1.0%

Which of the following microwave-oven functions do you use 'very often'?

Defrosting	41.7%
Reheating leftovers	85.6
Cooking main meals	21.8
Cooking vegetables	51.2
Baking	5.7
Heating beverages	50.7
Heating convenience foods	50.3
Preparing ingredients for conventional cooking	25.0

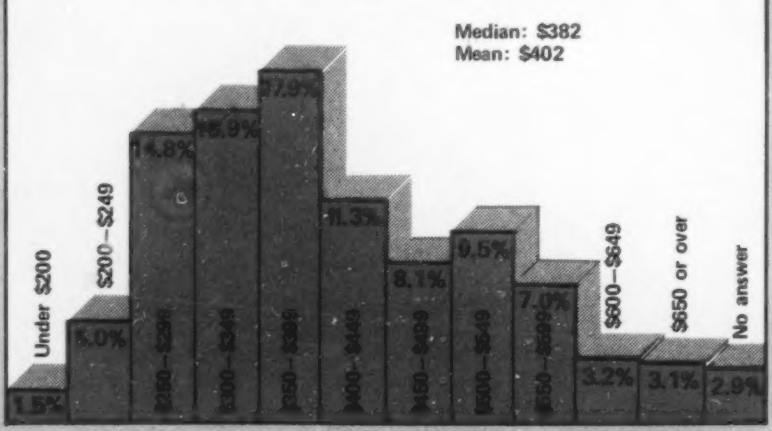
Have you found any disadvantages to microwave cooking?

Yes	65.7%
No	31.4
No answer	3.0

If yes, what disadvantages have you found to microwave cooking?

Overcooking of food	21.9%
Can't use metal cookware	38.9
Too much turning/stirring necessary	12.6
Controls too complicated	2.0
Can't cook some foods well	51.4
Large quantities take too long	21.9
Adapting conventional recipes is hard	26.0
Appearance of food	22.9

Approximately How Much Did You Pay for Your Microwave Oven?



Considering your knowledge of microwave cooking at this time, would you buy a microwave oven again?

Yes	94.8%
No	3.7
No answer	1.5

Would you buy the same brand of microwave oven again?

Yes	88.7%
No	5.0
No answer	6.3

What Percent of Your Weekly Cooking Do You Do in the Microwave Oven?

Median: 51 percent

1 to 9 [illegible]	[illegible].4%
10 to [illegible] per[illegible]	[illegible].6%
20 to [illegible]	14.6%
30 to 39 percent	9.9%
40 to 49 percen[illegible]	6.9%
50 to 59 perce[illegible]	17.4%
60 to 69 per[illegible]	5.7%
70 to 79 p[illegible]	12.2%
80 to 89 [illegible]nt	5.6%
90 to 99 [illegible]cent	[illegible].5%
100 pe[illegible]	[illegible]%
No ans[illegible]	[illegible].1%

A homemaker in Minnesota said, "I like the convenience of the microwave, and now I use up my leftovers rather than throw them away."

A woman in Illinois said, "The microwave oven is so much quicker. I have no time wasted with pre-heating, clean-up is easier, and the defrost features saves a lot of time."

A New York consumer said, "The microwave oven has become a necessity with the pace of our lifestyle."

A Virginia homemaker said, "With a family, and many people to feed on a short budget, I appreciate the microwave oven for the economy, good-tasting food, and convenience. I have made jellies, canned preserves, Christmas ornaments, and blanched for freezing. I wish I had had a microwave oven 30 years ago."

And a woman in the state of Washington said, "My husband is a heart patient. Preparing foods in a microwave oven enables us to have more nutritious meals—even for lunch. He likes to come home and have lunch in a relaxed atmosphere."

As a group, these microwave owners are extremely satisfied with their purchase. They truly enjoy using their microwave ovens. Almost half of our survey respondents (47.5 percent) said they do at least 50 percent or more of their cooking in the microwave oven.

The most frequently cited usage for microwave ovens is reheating leftovers (more than 85 percent of the survey respondents said they reheat foods "very often"). In addition to reheating, other common microwave usages are heating beverages and convenience foods, cooking vegetables, and defrosting.

Far-and-away the most important advantage for microwave cooking cited by most of MART's survey respondents is the speed of cooking. But quicker clean-up, faster defrosting, and energy savings were also considered important advantages of the microwaves.

But microwave ovens are not without faults. Nearly two-thirds (65.7 percent)

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Most microwave owners plan to buy more accessories, they say

[Continued from page 44]

of the survey respondents said they have found some disadvantages to microwave cooking.

The most common complaint was that the microwave oven can't cook some foods well. Other frequently cited disadvantages were that adapting conventional recipes is often difficult, that the appearance of some foods cooked in the microwave oven is undesirable, and that large quantities of food take too long in a microwave oven.

Microwave accessories

Over the last few years, the market for microwave cookware and accessories has grown dramatically. Microwave-oven owners will typically buy several pieces of cookware in the two years following the purchase of their microwave oven.

Almost one in four respondents (23.1 percent) to this year's consumer survey reported that they purchased cookware or accessories at the time of their microwave-oven purchase. These consumers spent an average of $35 for cookware and cookbooks.

It is interesting to note that while this 23 percent said they bought accessories at the time of their microwave-oven purchase, only 13 percent of the survey respondents said the retail salesperson attempted to sell accessories to them. The implication is that either some customers bought the accessories despite the salesperson, or they bought them at another store.

Nearly 60 percent of MART's survey respondents said they purchased additional accessories since purchasing their microwave oven. Most accessory purchases are made in housewares departments or stores (45.8 percent), or from mass merchandisers or discounters (34.2 percent). Only 10 percent of the consumers surveyed said they purchase their accessories at the same store where they bought their microwave oven.

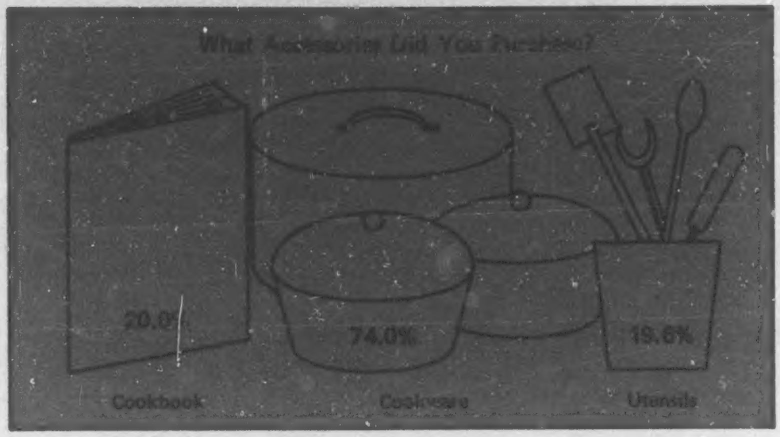
On average, these consumers have spent $34 on cookware and other accessories since the purchase of their microwave oven.

More than 60 percent of the microwave-oven owners in this most recent MART survey indicated that they plan to purchase additional accessories. Of these, nearly 90 percent said they plan to buy cookware.

When it comes to cookware, consumers have definite preferences. About 60 percent said they prefer glass cookware, 25 percent prefer ceramic cookware, and only 12 percent prefer plastic cookware.

The changes taking place in today's microwave-oven market are mainly due to expanding technology. While average prices are down over the last few years, features have stayed fairly steady. Many of the features that today's customer finds on a $400 microwave oven are the same features found on $600 models only three or four years ago. ☐

John Foster
Senior Editor



Did the salesperson attempt to sell you accessories at the time you purchased your microwave oven?

Yes	13.6%
No	85.2
No answer	1.3

Did you buy any accessories at the time of your oven purchase?

Yes	23.1%
No	76.1
No answer	.8

If yes, how much did you spend on accessories?

Under $20	31.9%
$20 to $39	37.0
$40 to $59	16.2
$60 to $79	7.7
$80 to $99	2.6
$100 or more	2.6
No answer	2.1

Mean: $35.20

Have you purchased additional accessories since purchasing your microwave oven?

Yes	57.7%
No	41.7
No answer	.5

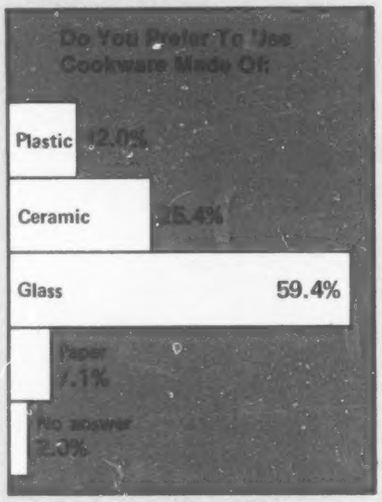
If yes, how much have you spent?

Under $20	38.7%
$20 to $39	30.7
$40 to $59	18.4
$60 to $79	5.7
$80 to $99	3.0
$100 or more	3.0

Mean: $34.40

Where have you purchased most of these accessories?

Same store as oven	10.5%
Housewares department or store	45.8
Mass merchandiser or discounter	34.3
Mail-order catalog	2.9
Catalog showroom	3.9
Supermarket	6.6
Other	3.6
No answer	1.2



Do you plan to buy any additional microwave accessories?

Yes	61.0%
No	36.6
No answer	2.4

If yes, what type of accessories do you plan to buy?

Cookware	88.3%
Cookbook	15.3
Other	6.3
No answer	.6

Into which age category do you fall?

24 or younger	6.2%
25 to 34	29.1
35 to 44	21.0
45 to 54	18.4
55 to 64	16.0
65 or older	8.8
No answer	.4

Mean: 42.92

What is the highest grade or year of school you completed?

8th grade or less	1.5%
Some high school	4.9
High school graduate	32.6
Some college	28.7
College graduate	18.0
Post graduate work	13.5
No answer	.9

How many persons live in your household?

One	9.7%
Two	34.4
Three	20.6
Four	20.1
Five	8.5
Six	2.0
Seven or more	1.2
No answer	3.4

Mean: 2.95

Total household income

Less than $15,000	12.6%
$15,000 to $19,999	12.3
$20,000 to $24,999	15.8
$25,000 to $34,999	24.3
$35,000 to $49,999	17.3
$50,000 or higher	10.3
No answer	7.5

Mean: $29,510

What is your marital status?

Married	79.2%
Single	8.4
Divorced	5.0
Widowed	5.6
Separated	0.7
No answer	1.0

Are you a male or female?

Male	23.8%
Female	73.9
No answer	2.3

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Mart Focus
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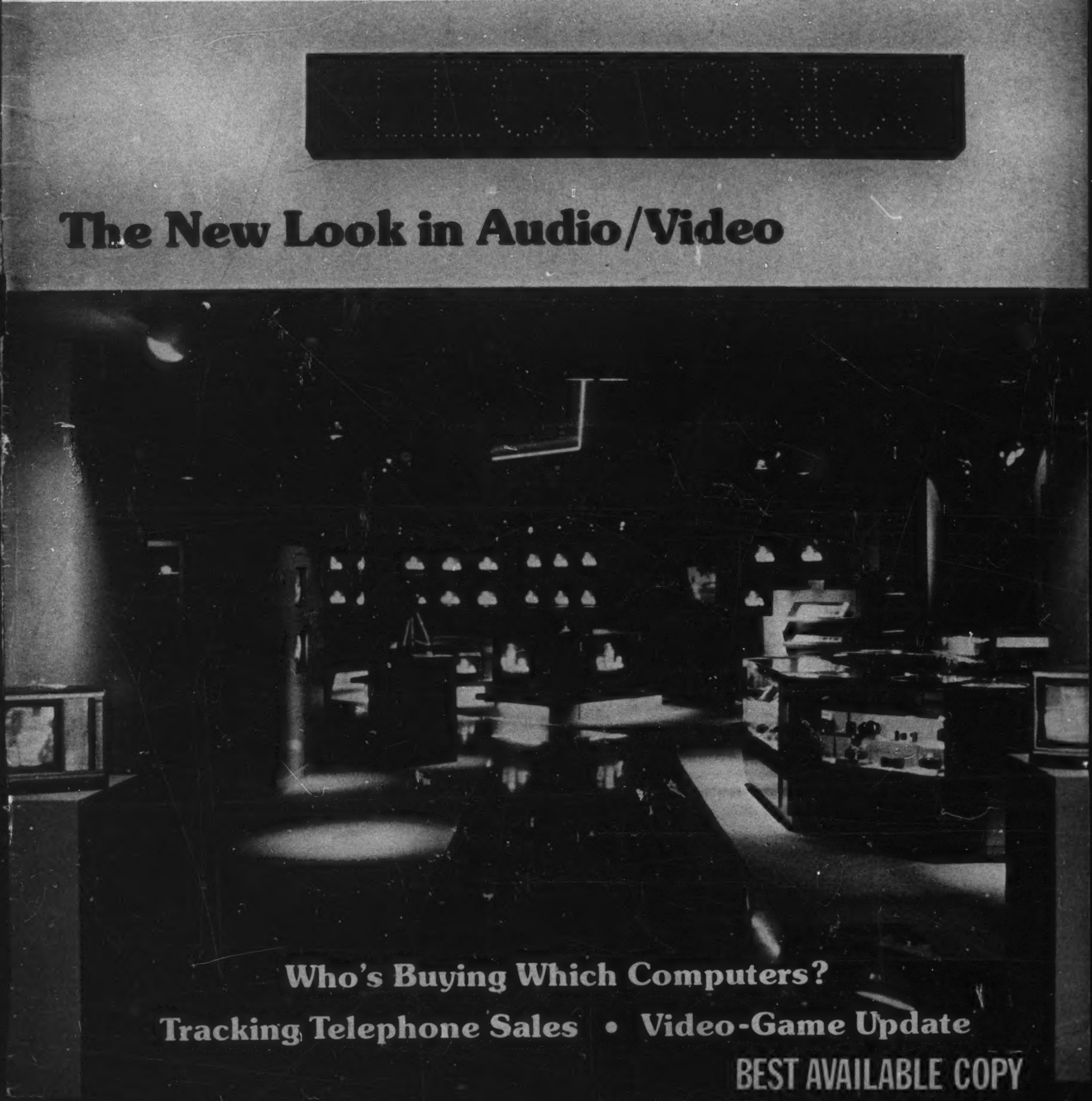
MART

30 years of service to the retailer April 1983



The New Look in Audio/Video

Who's Buying Which Computers?

Tracking Telephone Sales • Video-Game Update

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MART

ESTABLISHED 1953

April 1983

30 years of service to the retailer

Volume 29, Number 8

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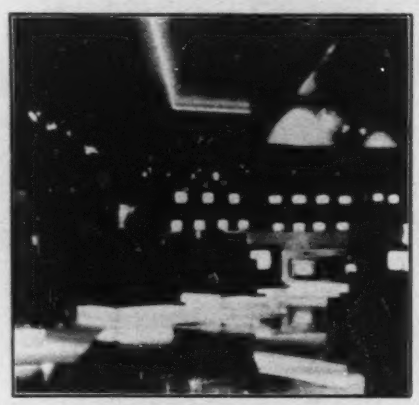

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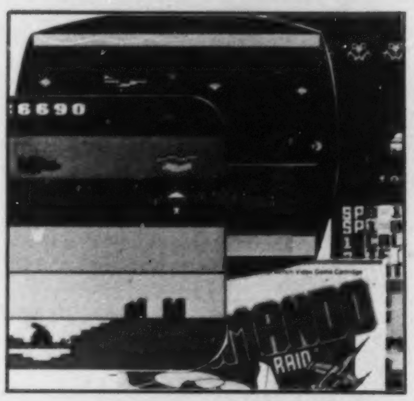

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Photographed on location at Marshall Field's Old Orchard branch

Morgan-Grampian
Publishers of American City & County • Mart
Industrial Distribution • Industrial product Bulletin
Contractor • Municipal Index

BPA
ABP

MART (USPS-854-260) including Electrical Dealer, is published monthly by Morgan-Grampian Publishing Co., 2 Park Avenue, New York, NY 10016, (212)340-9700. Second Class postage paid at Crystal Lake, Il. 60014. Subscription rates: $30 per year in the U.S. $42 all other countries, airmail $84. Single copy, U.S., $3: all other countries, $6. Publisher reserves the right to accept or reject any subscription. Microfilm copies of complete issues or reproductions of individual articles from microfilm prints can be obtained from Xerox University Microfilms, Ann Arbor, MI 48109. ©Copyright 1983, Morgan-Grampian Publishing Co. ALL RIGHTS RESERVED, including reproduction of this magazine in whole or in part. **Change of address:** Send to Circulation Manager, MART magazine, Berkshire Common, Pittsfield, MA 01201. Postmaster: Send form 3579 to Circulation Manager, MART magazine, Berkshire Common, Pittsfield, MA 01201.

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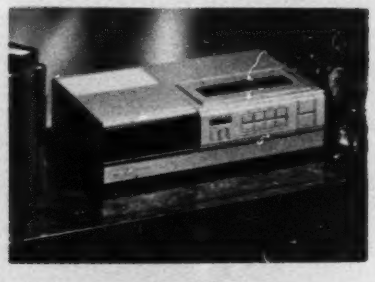
Is VCR Pricing Stabilizing? Could Be . . .

As production levels off, so do VCR price cuts, some suppliers indicate

The boom year for video products forecast by suppliers at the recent Winter Consumer Electronics Show appears to be well underway, with first-quarter sales results up across-the-board compared with last year's totals.

And—even better news for video retailers—the pricing havoc that plagued the video-cassette-recorder industry in particular during 1982 seems to be abating somewhat. Now that inventories are down and production has been adjusted to come closer to the demand level, VCR pricing is firming up. The growing appeal of portable VCRs is also giving a spurt to sales, and adding bonus profits through sales of video



RCA's new deluxe VCR allows electronic 'docking' of a portable deck to a stationary tuner.

[Continued on page 32]

Personal Computers Aren't Selling on Low Price Alone

Instead, retailers are finding that computer customers will pay more to get more

Although the price of personal computers has come down 10 to 33 percent over the past six months, price alone is not selling these computers.

In fact, consumers are willing to spend more money than the actual price of the basic machine on a package deal that includes software suited for their individual applications, retailers around the country told MART.

These dealers also revealed that more and more personal computer consumers are parents whose children are using computers in school now.

Many computer retailers also noted that 60 to 80 percent of their customers are entry-level computer-literate. Therefore, they respond to their clientele's needs with full service and support, such as holding classes aimed at encouraging the first-time user to buy. Even discount stores, which traditionally do not offer sale service and support,

[Continued on page 22]

Consumer Electronics

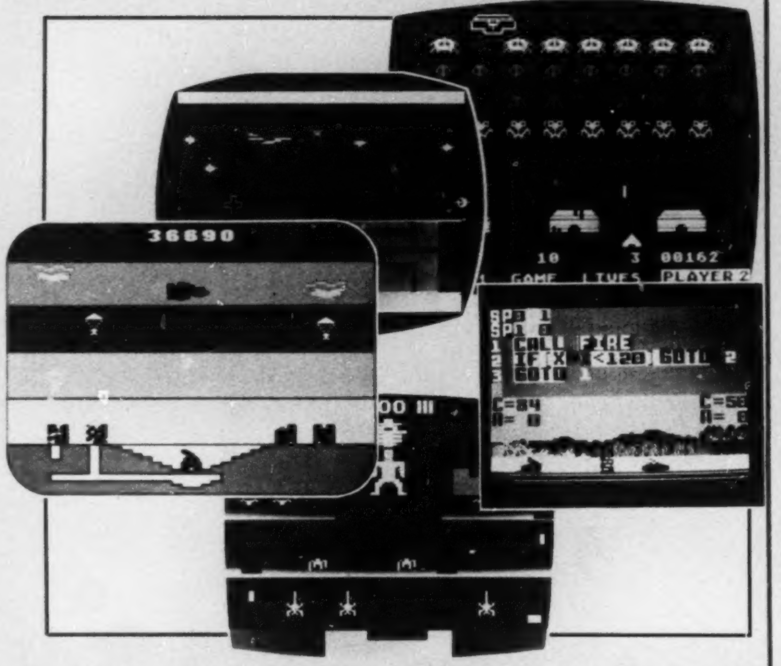
'Game Wars' Pit Specialists Vs. Giants

Retail ammunition includes rental plans, increased customer benefits

In the video-game-cartridge price wars, video specialty stores are battling for survival against the discounters and mass merchandisers.

Among some independent retailers' survival tactics are competing on price and title selection as well as offering rental services.

However, some software retailers interviewed by MART choose not to compete. These operators prefer to offer game consumers software availability—but at a higher price. And other retailers are considering getting out of the category altogehter if margins continue to erode.



At Video Spectrum in New Orleans, LA, President Richard Railey marks up margins and keeps his inventory down. "I charge full margins of 35 to 40 points, and I don't move huge volumes," he said.

Video Spectrum carries 75 to 80 titles for Atari and Intellivision, "compared to 120 titles elsewhere," Railey pointed out. And he stocks 20 to 30 units on popular cartridges and eight to 10 on semi-popular ones. "It's no longer profitable to carry all cartridges. People just want the 'latest and the greatest.'

"And I carry few units in stock. If I run out, I pick up the phone and order. I receive delivery within one day on most cartridges," he added.

"When the bottom fell out of the cartridge business last fall, the opportunity to sell became outbalanced by the opportunity for debt from overstock. So I had to reevaluate my inventory," he explained.

"One has a choice. You can lowball $2 over cost, roll cartridges in and out in volume. Or you can take a big financial risk.

"But I don't want to be stuck with cartridges. When a cartridge is dead, even priced at $10, then price becomes unimportant at a point.

"So I pack up dead cartridges and send them back. I receive 100-percent credit from my distributors," he continued. Within a month,

[Continued on page 24]

Customer Service Offers the Competitive Edge

Consumers need reassurance, and telephone retailers try hard to provide it

Cordless phones, as well as basic phones, are still hot items around the country, but personal service, rather than price and product, represents the competitive edge for phone retailers today. By offering consumers guidance in the purchase of telephones and a back-up program of service and repair, phone dealers are attracting business into their stores.

Today's consumers need a lot of reassurance when buying telephones, because they have the fear of having nowhere to turn if their purchased phones should fail.

The retailer with a full-service or repair department gives the consumer that extra assurance, and at the same time it provides the retailer with a competitive edge over those phone dealers who don't have one, phone dealers around the country told MART.

"People are confused about AT&T's divestiture and about purchasing their own phones, but they're still coming into the store," said one retailer.

"They don't mind paying a little extra, either, for the education and the service we provide here," she added.

"And," said another phone retailer, "it seems that having a service or repair department is reassuring to my customers. They feel more comfortable knowing that if something goes wrong with the phone they purchased here, they can bring it back or get it repaired."

This hand-holding process seems to be working, too, because many of the phone retailers interviewed by MART saw sales increases over the past year of as much as 50 percent. (See related story on page 30.)

Yes, business is good, they report, especially as the consumer's love-hate relationship with the phone company heightens with the publicity about the coming AT&T divestiture.

"We are getting substantially more business since the divestiture ruling," said Charlie Canon, assistant manager of The Speakeasy, Pasadena, CA.

"People are still confused, especially the older group of people, and many are also disgusted with the telephone company," she added.

"Yes, people are definitely still mystified about buying phones," added Randy Strunk, owner of The Phone Source in Omaha, NE.

"People are confused about touchtone and dial pads and so forth, and here, they know they will get all their questions answered. This personal attention is our competitive edge, and word-of-mouth has verified this," he added.

[Continued on page 30]

Is VCR Pricing Beginning To Stabilize? Most Suppliers Seem To Think So

[Continued from page 13]

cameras as well.

"Lower VCR margins were a major concern to all of us in 1982," commented Tom Hitzges, OEM account manager for Matsushita Electric's corporate technical liaison division, at the recent ITA seminar. "But now the market is showing some stability, so it's time to return to basic sales techniques, and to encourage step-up or accessory sales.

"Don't resign yourself to a low-margin leader sale," Hitzges urged retailers. "That's a disservice to everyone, including the consumer."

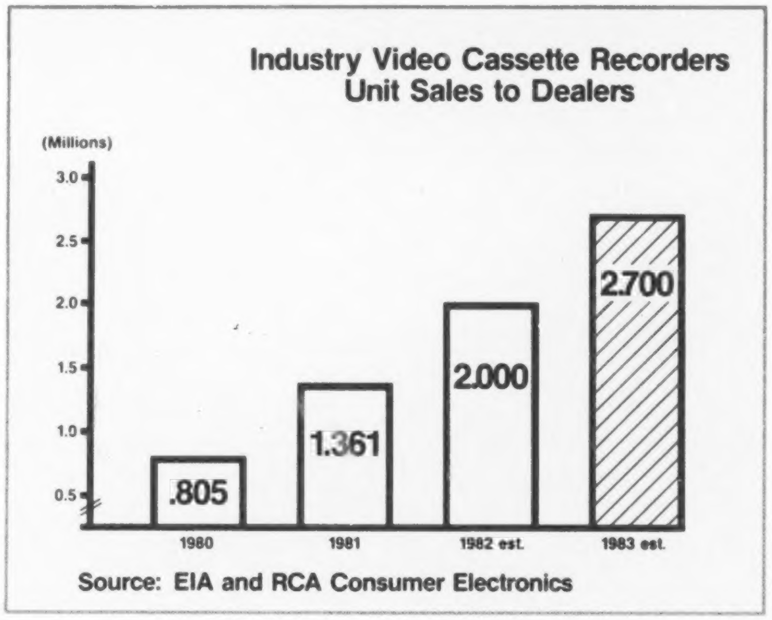
"I don't see VCR pricing going a lot lower—if, in fact, it goes lower at all," Bob O'Neil, executive vice president of Hitachi Sales Corp. of America, told MART. "The market started stabilizing in November—I think most of the 'water' is out of the pricing now."

O'Neil feels, in fact, that product shortages could occur this spring: "Some decks have already been in short supply, and I can see shortages possibly in the next few months. By mid-summer, however, we should see an increase in what comes in from Japan. I think the industry underestimated the amount of VCRs that have been sold in recent months—a 3-million-unit sales total this year is not impossible."

Sony's BetaMovie camera/recorder offers up to three hours and 20 minutes' recording on a Beta cassette.

Not quite so optimistic is Arnold Valencia, president of RCA Sales Corp., who is forecasting industry sales of about 2.7 million VCRs this year. Total industry sales of both VCRs and cameras represent a $2.5-billion value, he said.

According to Valencia, "1983 is the beginning of the next big growth pattern for VCR. The market is now ready for its second phase of growth—VCR is one of the most dynamic components of the consumer-electronics business today, and will be tomorrow."



Source: EIA and RCA Consumer Electronics

Industry sales of portable VCRs represented 22 percent of the total last year, Valencia told MART; RCA's portable share was higher. This year, he expects portables to account for from 25 to 30 percent of total industry VCR sales.

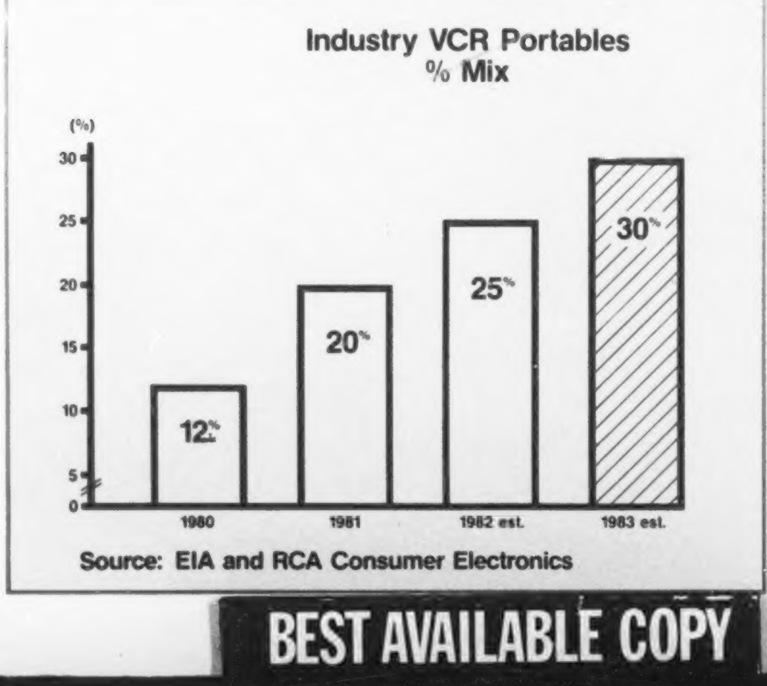
To help boost its own VCR volume, RCA recently introduced a convertible unit with a slide-out portable recorder.

Valencia also anticipates more restrained VCR pricing this year: "In 1982 the VCR business was driven by excess inventory, which created chaos, but I see somewhat greater stability in pricing in the months ahead."

General Electric Television is also looking for portable VCRs to gain in their share of the total, according to Marketing Manager Rick Williams. The company is projecting portables to hit 30 percent of total sales this year, up from 23 percent in 1982. GE expects total industry VCR sales to reach at least 2.4 million units and an 8-percent saturation level this year, with sales of video cameras hitting the 500,000-unit mark.

"In the consumer's eyes, video products are now necessities, rather than postponable luxuries," Williams commented.

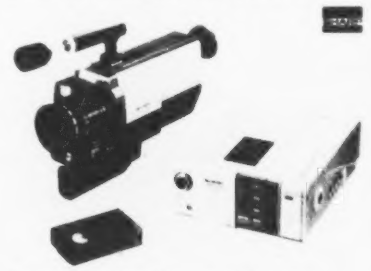
Traditional portable VCRs should see major market growth in smaller communities around the country, an area Quasar is concentrating on, according to Roger Heuberger, national sales manager for the firm's VCR division. Heuberger put current VCR penetration at between 6 and 7 percent nationwide; in smaller population areas, however, VCR penetration ranges from only 1.8 to 2.5 percent, he said.



Source: EIA and RCA Consumer Electronics

New VCR technology should also help spur sales at retail this year, suppliers believe. The new Beta Hi-Fi models previewed at the Winter CES should be hitting stores in mid-summer from a number of manufacturers, and are expected to be promoted strongly at retail. Zenith Executive Vice President Jerry McCarthy, among others, feels stereo VCR "will have a big impact on video-recorder sales in 1983."

The new compact VHS recorders should also do well this year, at least according to the companies marketing them. Harry Elias, vice president, home entertainment and hi-fi divisions, for JVC Co. of America, said he expects JVC's version of the VHS-C to keep building momentum.



Sharp has just begun deliveries of its compact VHS-C recorder.

Elias said JVC is currently providing dealers selling the product with special tips on display and demonstration. "For example, if it's a mall store, the product should definitely be put in the window. Dealers could also put the unit up front by the cash register."

Sharp Electronics also expects big things from the compact VCR, according to Charles Daigneault, executive vice president, consumer products division. Sharp recently began shipments of its VHS-C model, which will sell at from $600 to $650 alone, and "in the high $900s" in combination with a converter/recharger, battery, adaptor, and video tape.

Another technological development due later this year is Sony's BetaMovie one-piece camera/recorder combination offering up to three hours and 20 minutes of recording time using a standard Beta cassette.

Dick Komiyama, senior vice president of Sony's consumer video products operation, sais the one-piece unit may eventually obsolete 8mm movie cameras. One- and two-piece portable video recorders together should top 2 million units in sales by 1990, he added; peak shipments of 8mm cameras have been only about 600,000 units. ☐

Cathy Ciccolella

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Independent, Overseas Phone Manufacturers Enter the Market

As a result of AT&T's divestiture, new telephone producers are emerging

As the Bell operating companies are "spun-off" next year from AT&T's American Bell subsidiary, big opportunities will exist for independent manufacturers, according to a report from International Resource Development Inc., a market-research firm.

However, much of that business may go overseas, the report indicated. "Far-Eastern and even European manufacturers have innovative consumer telephone products ready for a market, and are ready to stand in line as suppliers to the new BOCs with these products," according to Lawrence D. Gasman, project manager for the IRD report.

The bottom line, however, is that the new Bell operating groups are expected to differentiate their consumer equipment from that of AT&T's American Bell subsidiary, and will turn to outsiders to help them do this, the report said.

Retail sales of interconnect key systems in the home are also expected to grow, almost twice the rate of consumer telephone-equipment, which in itself is predicted to increase at an average annual rate of 8 percent over the next two years, the report indicated.

> *'Far-Eastern and even European manufacturers have consumer telephone products ready for a market'*

The report also points out that the divested Bell operating companies will remain very powerful factors in the retail market, because they will be one-stop sources for both telephone service and equipment.

The IRD report also predicts that the consumer-telephone market may soon see some surprising new participants. With the increasing overlap between the kind of telephone equipment being used in business and in the home, companies such as Rolm and Anderson Jacobson could soon start to produce phones for the residential market, the report pointed out. Also, it noted that Motorola is almost certain to be a major supplier of consumer hand-held cellular phones when these products arrive.

Gasman also noted that IBM may even enter the "intelligent" residential-phone market before too long. "After all, they are already into consumer marketing with their personal computer, and will soon launch a portable typewriter," he concluded. ☐

(#841)

Consumer Telephone Equipment

($ Millions)

Equipment	1983	1985	1988	1993
Telephones	1087	1274	1319	1370
Specialty Telephone Equipment	27	20	13	6
Accessories	40	56	83	129
TOTAL	1154	1350	1415	1505

(SOURCE: INTERNATIONAL RESOURCE DEVELOPMENT INC.)

Newswatch

American Bell Consumer Products and Riverside Furniture Corp. have announced a mutual sales-incentive program designed to reach the work-at-home market. The "Home Sweet Office" promotion's purpose is to increase sales of Riverside's Oak Creek home desks and American Bell's Country Squire telephones. The campaign includes a national consumer sweepstakes and local drawings in Riverside's 1,000 participating dealer stores . . .

Electra Co. is transferring the manufacturing of its cordless telephones from the U.S. to Japan. The manufacturing of its scanners will also be transferred from the U.S. to Puerto Rico. Management, however, will remain in Cumberland, IN . . .

Webcor Electronics is entering the small-business market for telephones and accessories through its agreement with Hitachi America, Ltd., which will manufacture for Webcor an electronic key telephone system that accommodates three outside telephone lines and up to eight stations. Webcor also recently purchased for investment approximately 20 percent of the stock of Repco, Inc. (OTC), manufacturer and supplier of land mobile radio equipment . . .

Axelrod Associates is now representing Mura's line of telephone products, personal stereos, and portables, in New York City, Long Island, areas of northern New Jersey, and Westchester and Rockland counties . . .

A Notice of Proposed Rulemaking (NPRM) to implement a new personal radio communications service operating within the 900 MHz frequency band has finally been issued by the FCC in response to General Electric's May, 1982, Petition to Expedite Rulemaking Proceedings on its proposed Personal Radio Communications Service (PRCS) . . .

In an effort to maximize savings and improve service, **Revco Drugs is installing North Supply's Crest Two-Line Electronic Key telephone systems** in more than 80 percent of its 1,623 stores nationwide, according to H. Scott Leesburg, vice president of systems and management services . . .

Up to 70 Percent of Phone Consumers Prefer To Buy Than Lease Equipment

Most consumers would choose to buy product, service from the phone company

Depending on the potential savings, up to 70 percent of telephone customers will take advantage of the opportunity to buy rather than lease their phone equipment, according to a nationwide survey conducted by Audits & Surveys, a marketing research firm.

Regional attitudes toward purchasing phone equipment vary, however. At a purchase price of $35 to $55 and monthly rental savings of $1 or $2, the survey showed the highest buying interest was among customers in the South (56 percent); the lowest interest was in the Northeast (42 percent).

At the same price level, but with monthly rental savings of $3 to $4, 75 percent of the customers in the South and West and 66 percent of Northeast and North-Central consumers indicated they would be interested in purchasing their current telephone equipment, the survey reported.

The report also noted that while 60 percent of the respondents indicated a preference to buy from the telephone company, assuming styles and prices of equipment to be about the same, 22 percent would prefer to purchase from an appliance, department, or independent telephone store.

If prices elsewhere were 10 percent lower, however, the majority of the respondents said they would buy elsewhere.

Service seems to be very important to phone customers, the survey indicated, because about half the respondents would like to continue present billing methods, with a fixed monthly repair/maintenance fee covering any service required. A substantial minority (36 percent), however, noted that they would rather pay on a per-job basis, based on the amount and type of work required.

"In view of the high level of interest in equipment ownership, it appears urgent for phone companies to sell their in-place equipment as soon as possible to retain customer loyalty," said Nicholas J. Mammana, a former industry executive who directed the Audits & Surveys study. "Data also suggest that future marketing strategies will have to be developed for competitive pricing, and promoting servicing expertise," he added. ☐

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MART Focus

Floor-Care Retailers Expect Gains in Vac Sales This Year: MART Survey

Dealers are selling more uprights and compact vacs, and average retail prices are heading upward

Although the average retail price for floor-care products, such as vacuum cleaners, rose in 1982 compared to 1981, vacuum-cleaner dealers cleaned up last year with sales increases of up to 21 percent and more.

According to MART'S exclusive survey of a small random sampling of floor-care dealers, retail prices were up for more than 68 percent of the respondents. Of the respondents who indicated a numerical percent change in price, over 74 percent said prices increased from 1 to 10 percent, and 10 percent said prices increased 11 percent or more.

The forecast for sales in 1983 looks even better, with the overwhelming majority (77.3 pecent) expecting a definite sales increase for floor-care this year.

In general, the median price change was an increase of 4.5 percent. Only slightly more than 13 percent indicated a decrease in price, the survey noted.

Consumers, these floor-care respondents reported, paid a median price of $141.22 for vacuum cleaners in 1982. Slightly over 18 percent of the respondents indicated their customers paid between $115 and $129.99, while almost 16 percent said theirs paid between $150 and $174.99, and almost 14 percent of the respondents said that an average price of between $130 and $149.99 was paid in their stores.

Higher prices, however, did not affect sales, since almost 57 percent of the respondents noted a sales increase in 1982, while only less than 39 percent saw a sales decrease.

Of the 50 percent of floor-care dealers who indicated a numerical percent change in sales, the increases looked this way: 50 percent of the floor-care dealers sampled saw between a 1-percent and 10-percent sales increase, more than 18 percent saw between an 11- and 20-percent increase, and almost 14 percent of those surveyed indicated sales increases of 21 percent or more. However, almost 14 percent of those who indicated a numerical percent change in sales also said they saw a sales decrease of between 1 and 10 percent. Overall, floor-care dealers selling vacuum cleaners in 1982 experienced a median sales increase of 6.4 percent, according to the survey.

How did your 1982 vacuum cleaner sales compare with 1981?	
Sales up	56.8%
Sales down	38.6
No answer	4.6

Do you expect an increase in sales in 1983?	
Yes	77.3%
No	20.4
No answer	2.3

Were your average retail prices higher in 1982 than in 1981?	
Yes	68.2%
No	29.5
No answer	2.3

What was the average price paid at retail?	
Under $90.00	9.1%
$90.00 to $99.99	11.4
$100.00 to $114.99	9.1
$115.00 to $129.99	18.2
$130.00 to $149.99	13.6
$150.00 to $174.99	15.9
$175.00 or more	9.1
No answer	13.6
Median retail price = $141.22	

Was there a shift in product mix in 1982?	
Yes, more upright sales	29.5%
Yes, more compact and specialty vacuum sales	25.0
No, same mix as previous years	29.5
No answer	16.0

Will you add or drop any lines in 1983?	Add	Drop
Yes	25.0%	9.1%
No	72.7	90.9
No answer	2.3	—

The forecast for sales in 1983, however, looks even better, with the overwhelming majority (77.3 percent) expecting a definite sales increase this year.

More than 38 percent of those surveyed expect sales to increase between 11 and 20 percent, while almost 24 percent expect an increase in sales of between 6 and 10 percent. Slightly less than 21 percent expect sales to increase 5 percent or less. Almost 6 percent of the floor-care dealers also expect vacuum sales to increase more than 20 percent in the coming year.

Perhaps a product shift in 1982 was impetus for increased sales for these floor-care dealers, because the majority (54.5 percent) indicated there had been a shift in product mix sold. For example, almost 30 percent of the respondents saw more upright vacuum cleaner sales, and 25 percent sold more compact and specialty-type vacuums.

Almost 30 percent of the respondents saw more upright vacuum-cleaner sales, and 25 percent said they sold more compact and specialty models last year.

As far as changing product lines of vacuum cleaners are concerned, however, the overwhelming majority of the respondents said they would not add or drop any; almost 73 percent said they wouldn't add any lines, while almost 91 percent indicated they would not drop any lines either. However, about 25 percent of those surveyed said that they *will* add new vacuum-cleaner lines in 1983.

At present, the average number of brands that these floor-care dealers carry is about 2.6. Almost 50 percent carry one brand only, while 25 percent carry two brands, and another 25 percent carry three or more brands.

The amount of inventory on hand in 1982 was also different from that in 1981, these retailers noted. The majority, or almost 57 percent of the respondents, had a higher amount of inventory on hand in 1982 than the previous year. Almost 43 percent of those who responded also indicated, however, that they had less on hand in 1982. ☐

Peggy Odenbach
Supplements Editor

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MART

30 years of service to the retailer

May 1983

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ESTABLISHED 1953

May 1983

30 years of service to the retailer

Volume 29, Number 9

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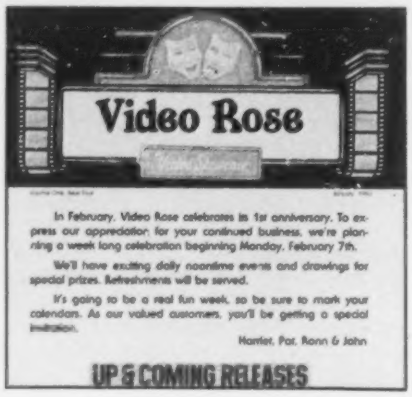

Video Rose

In February, Video Rose celebrates its 1st anniversary. To express our appreciation for your continued business, we're planning a week long celebration beginning Monday, February 7th.

We'll have exciting daily noontime events and drawings for special prizes. Refreshments will be served.

It's going to be a real fun week, so be sure to mark your calendars. As our valued customers, you'll be getting a special invitation.

Harriet, Pat, Ronn & John

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MART (USPS-854-280) including Electrical Dealer, is published monthly by Morgan-Grampian Publishing Co., 2 Park Avenue, New York, NY 10016, (212)340-9700. Second Class postage paid at Crystal Lake, Il. 60014. Subscription rates: $30 per year in the U.S. $42 all other countries, airmail $84. Single copy, U.S., $3: all other countries, $6. Publisher reserves the right to accept or reject any subscription. Microfilm copies of complete issues or reproductions of individual articles from microfilm prints can be obtained from Xerox University Microfilms, Ann Arbor, MI 48109. ©Copyright 1983, Morgan-Grampian Publishing Co. ALL RIGHTS RESERVED, including reproduction [illegible] this magazine in whole or in part. **Change of address.** Send to Circulation Manager, MART magazine, Berkshire Common, Pittsfield, MA 01201. Postmaster: Send form 3579 to Circulation Manager, MART magazine, Berkshire Common, Pittsfield, MA 01201.

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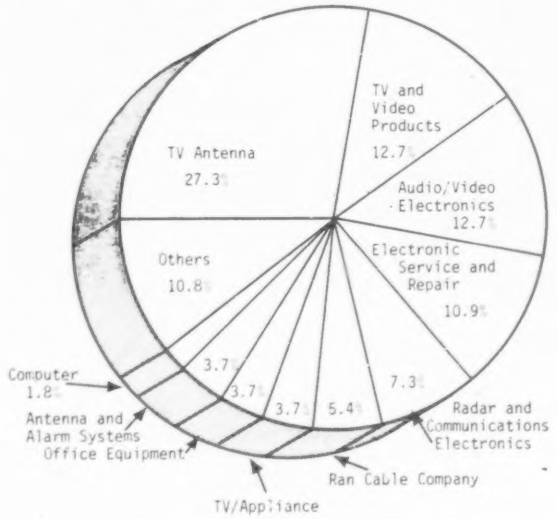
Projections Hold Home Earth-Station Shipments at 50,000

The home earth station industry may not continue to grow by leaps and bounds—as first speculated—according to a report by Venture Development Corp. Originally forecast to reach 100,000 to 200,000 units, shipments of home earth station systems may only total 30,000 to 50,000 this year.

The study named the high cost of the systems, spotty distribution, and poor profitability for the slowing growth curve. The study also revealed that prices may fail to decline significantly from the $3,000 to $5,000 range this year. In addition, competitive pricing in some markets have further reduced profits.

Manufacturers polled by the Wellesley, MA, market research firm suggested they are seeking to increase distribution by expanding their dealer networks among audio and video retailers and providing service and support. ☐

What kinds of retailers have had previous experience selling home earth stations?



Source: Venture Development Corp.

Empire Doubling Equalizer Production

In a move designed to capture from 7 to 10 percent of the $100-million graphic-equalizer market by the end of this year, Empire Scientific plans to double its equalizer production.

Empire first introduced graphic equalizers at last summer's Consumer Electronics Show, and added new models at the Winter CES.

Andrew Segal, Empire vice president, estimated the total equalizer market at $85 million in retail dollar volume last year, which he said represented nearly 5 percent of the total audio-component market. "In 1983 we project this market will grow an additional 15 to 20 percent, to an estimated $100 million at retail," Segal added.

Segal also anticipates some growth in the phono-cartridge business this year.

"Overall, the cartridge industry remains flat but shifting," he said. "The low end of the market in general continues to shrink, while the middle and high end continues to increase in dollar-volume sales," he added.

He pegged the most dramatic growth in cartridges this year coming in P-mount models, which he described as the only segment of the market "that will grow exponentially in both unit and dollar volume in 1983." ☐

CES Imposes $5 On-Site Badge Fee

If you receive your badge for next month's Consumer Electronics show in the mail, don't lose it—for the first time, the CES management will be charging $5 for on-site registration at the June show.

Why the charge? "We're switching to plastic badges for this show, and it's a big investment," a CES spokesperson told MART. "Every year there's a lot of duplicate registration, because people forget to bring the badge they got in the mail and have to get a new one when they get to the show. With the cost of the plastic badges, that could get very expensive, so we're trying to encourage people who preregister to bring their badges with them." ☐

Room at the Top

Richard Fried has been named marketing manager for *Walt Disney Home Video.* Fried was previously with *Marantz...*

Vestron Video has appointed Janice Whiffen national sales manager; she was formerly with *Playgirl magazine...*

Zenith Radio Corp. has named **Norman W. Smith,** formerly with *Video Canada Corp.,* sales manager of rental markets for the corporation's sales company...

Kenneth B. Blair has been named manager of national accounts and special markets for *General Electric's television business division;* he had been manager of sales and market support for the division. Also at GE TV, **Raphael Richman** has joined the firm from *Dancer Fitzerald Sample Advertising* as manager of marketing support, and **Walter A. Hoyt III** is now manager of sales and market development. Hoyt had been manager of retail marketing for GE's room air conditioner department...

In a realignment of *Quasar Co's.* TV division, **Jerry Hellman** has been named marketing manager, console TV, and **K. Iori** marketing manager, portable TV, both reporting to General Manager Tony Mirabelli. Also at Quasar, **Jerry Greenwald** has joined the company from *MSI Data Corp.* as sales manager, hand-held computers...

Newly named brand managers at *Pioneer Electronics USA* are **Joan Carbrey** for the car stereo division, **Lisa English** for the Syscom Series, and **Michael Fidler** for personal portable stereos...

Hans. D. Batschelet has been appointed president of *Studer Revox America,* succeeding **Bruno Hochstrasser,** who returned to the Studer factory in Switzerland. Batschelet was previously vice president of marketing for the Studer division...

Keith Schaefer has been promoted to senior vice president of *Atari's* home computer division. He has been vice president of sales...

Newly named executive vice president and chief operating officer of *Sega Consumer Products Division* is **Stanley Harfenist.** Harfenist had been with *Knickerbocker Toy Co....*

Tony Gable has been named vice president of marketing/sales for *MGT Audio Systems,* a division of Magtone Electronics. He was formerly president of *AudioBahn Electronics Inc....*

Cerwin-Vega has named **Herb Horowtiz** vice president of sales and marketing. Horowtiz was previously president of *Rotel...*

Robert P. Gardner has joined *Starpath Corp.* as vice president of marketing. He was previously with *Wham-O Manufacturing...*

R.W. (Mike) Staup has been appointed vice president and general manager of the *Odyssey division of N.A.P. Consumer Electronics Corp.* He had been vice president of product development for Odyssey. Also at Odyssey, Robert W. Strickland, formerly national sales manager, is now vice president of sales...

Vestron Video has named **Jo-Anne Carpanzano** national sales coordinator...

David M. Arganbright has rejoined *RCA Corp.* as staff vice president, business management and control, VideoDisc project. He was formerly with *N.A.P. Consumer Electronics' Odyssey division;* Arganbright had previously worked for RCA from 1973 to 1979...

Newly named managing director of *Hanimex (U.S.A.)* is **Robert L. Lewis,** previously marketing director and associate director of parent company *Hanimex Corp. Ltd....*

CBS/Fox Video has appointed **Anne Templeton** associate product manager; she was previously with *United Artists Corp....*

David S. Travis is the new vice president of sales for *Data Age.* He had been with *Starpath . . .*

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Eye on computers: Where the telephone fits in

The modem is the link tying computers to telecommunications

By Cathy Ciccolella

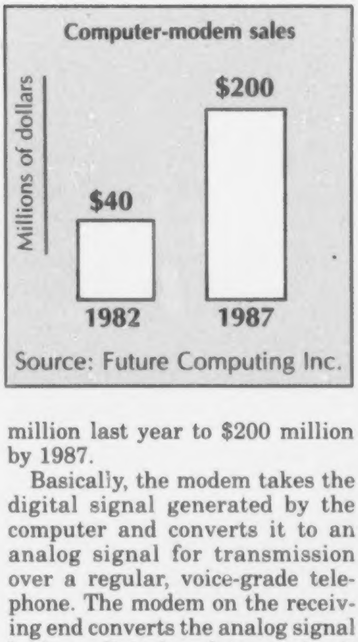
The telephone and the computer are moving closer together, spawning a new industry known variously as "communications," "telematics," or, simply "advanced telecommunications."

The key function this new industry provides is transfer of information—transferred to and/or from the computer over the telephone lines. And the telephone itself is becoming more computerized as well: the microprocessor-based functions such as automatic dialing found on the current generation of phones is only the beginning, leading to a new species of computer-phone.

The technology is already available for a number of functions that seemed Disneyesque only two decades ago: electronic banking, videotext, dial-a-game, shopping from home.

All of these services are available in some form today, although most are currently priced out of the range of the average consumer. But, by the end of this decade, all will be commonplace . . . and affordable.

Sales of modems—the links between the telephone and the computer—are growing rapidly. Mattel Electronics, for example, which begins deliveries this quarter on an under-$100 modem for its Aquarius personal-computer system, projects that between 10 and 15 percent of consumers who buy the Aquarius computer will buy the modem during the first year. And Future Computing, a market research firm, sees the modem market growing from $40 million last year to $200 million by 1987.



Source: Future Computing Inc.

Basically, the modem takes the digital signal generated by the computer and converts it to an analog signal for transmission over a regular, voice-grade telephone. The modem on the receiving end converts the analog signal back to digital and transmits it into a second computer, for storage or display. Most personal-computer manufacturers offer modems for their units, or are about to; prices are generally in the $100 range, but should drop as technology develops.

What kind of information can be transmitted in this fashion? The possibilities are endless.

Fun and games, for example: AT&T will test-market a new "telegame" service before the end of this year, although the company has no specific plans to market such a service. According to Hal Alles, director of the computing-technology research laboratory at the Bell Telephone Laboratories, AT&T's research-and-development arm, the system would involve retrofitting existing video-game terminals with inexpensive (about $50) modems so that two people could play competitively, over the telephone, using specially designed game cartridges. Further developments in the modem could even allow the players to talk to each other during the game.

Several of the Bell operating companies reportedly are negotiating with video-game companies to codevelop such a telegame concept; under terms of the divestiture agreement, the operating companies would probably be allowed to market the game cartridges and/or the special modems.

Some personal-computer networks, such as CompuServe of Columbus, OH, and The Source, based in McLean, VA, already offer dial-a-game service. Another firm, Control Video Corp., also in McLean, is developing a low-cost modem for use with Atari games, to create its own game network. And a telephone/game system is also expected to be part of AtariTel's first product introduction later this year.

The entry of AT&T into the telegame market, however, could serve to create a new mass market for game/communicators.

But entertainment is only the tip of the iceberg in terms of what the computer/telephone synergy can do. "There is now worldwide recognition that computers and communications together are a

PHONES RING UP SALES IN U.S. MASS MERCHANTS

Los Angeles, CA. Mass merchants, nationally, are ringing up substantial sales in low-cost, high quality, multi-feature telephones from AIRMATE ELECTRONICS INTERNATIONAL INC. Such major chains as Gemco Stores, A & P Stores, and 84 Lumber have reported tremendous demand for the product during test promotions and have re-ordered large quantities of merchandise. Consumer demand has been sparked by new stories that telephone utilities are informing their customers they may continue to rent present instruments, purchase them, or return them for credit and buy their equipment elsewhere for less money with more sophisticated features such as redial and muting. Rotary phones, currently used throughout the U.S. can be replaced by pushbutton phones without circuit changes.

It is reported that several mass merchandise chains are establishing small "telephone shops" to capitalize on an expected boom in such sales.

Elliot Peikoff, chairman and CEO, AIRMATE noted an early reticence by mass merchandise executives to enter phone merchandising. "They were concerned about quality control and the danger of alienating long time customers by offering phones that didn't perform."

"Aware of that concern, AIRMATE has engaged a chief engineer who lives in the Orient, and specializes in telephone quality control. He utilizes the same procedures involved in military quality inspection. If more than 1.5 percent of a shipment is found defective, the entire shipment is rejected," Peikoff stated. "In addition, we are so confident about our product that we are offering a five year guarantee," Peikoff asserted. Airmate slimline phones, retail at $29.95, offer such extra features as redial, ringer off/on and a wall mount valued at $6. This product was tested in four San Diego, CA. supermarkets recently resulting not only in a one day sell-out, but the heavy distribution of "rainchecks" as well. This chain re-ordered the phones for 118 stores. Another major chain, after a successful 24-store test, ordered in excess of 6,000 units and subsequently enjoyed a 50 percent sell through in three days, Peikoff reported. An eastern chain offered the $29.95 phones at $17.88 with $100 in cash register receipts and moved 5,000 units in five weeks.

Peikoff observed that one major western super-market chain expects to sell more than 100,000 phones next year. "This firm plans to develop grocery bag stuffers offering the phones at less than the receipts." Based on Supermarket input, AIRMATE is developing a special program. It will include attractive master shipping cartons which can be cut in-store to form dump displays; advertising money to help sell through merchandise; defective phones may be returned from stores for full credit.

Airmate is introducing two very popular new models. One a two piece "Trimline" style phone with lighted dial and a 25 foot cord. This unit sells in the telephone company stores for $79.95, and the Airmate unit will be able to be retailed for as low as $29.95.

In cordless AIRMATE will lead the field with their new "Sentry" Model 711, with 2-way paging, speaker-phone, intercom, and range up to 700 feet. This unit can be sold as low as $89.95.

"If there were ever an item with mass appeal, because of its quality, value, cosmetic design and timeliness, it is the telephone," emphasized Peikoff.

"AIRMATE PHONES SOUND AS CLEAR AS A BELL"

AIRMATE
Electronics International Inc.
2342 Sawtelle Blvd.
Los Angeles, CA. 90064
(212) 879-9223

Write In 113

beautiful way to bring information to the consumer," declared Dean Gillette, executive director, corporate studies, for the Bell Labs.

The technology is currently available for a broad spectrum of applications, according to Gillette; whether and/or when they become broadly available is more of a social question than a technical one.

"For example, electronic mail," Gillette told TCR. "It would be possibile to replace the physical delivery of mail with electronic transfer. It's perfectly feasible technically, but certain economic and public-policy questions are then raised, such as, 'Should the Post Office get into it?' Those kinds of issues have to be decided."

And then there's electronic banking. "That sounds like something jazzy for the future, and it is, but banks have been transferring funds electronically among themselves for a long time. And some banks are letting consumers pay bills by phone already.

'The telephone will first become a semi-intelligent terminal, offering features such as voice-synthesis...'

"The technology is also there for shopping from home," Gillette continued. "A consumer could ask his or her computer, 'What's on sale at Sears?' and a videotext display on the TV screen would print out the prices; then the consumer could call back over the phone lines to place an order."

Still pictures can currently be sent over the regular telephone line, although the standard voice-grade line currently does not have enough band width to deliver live video pictures. And with the broadening of cable-TV saturation, cable will probably remain the vehicle for video transmission. In the future, when homes are wired with optical fibers, live two-way video transmission will be possible.

The computer/phone link offers still other options . . . working at home, for example. Some computer experts feel that the next 10 to 15 years will find a terminal on everyone's desk with a phone associated with it, integrated into one unit for messages and word processing. At that point, working at home, with the home computer transferring information to the office computer via a modem, becomes totally feasible—why hit the rush hour?

Educational applications abound as well, as do environmental-control possibilities. Students could get assignments or lessons, and even take exams from home, over the computer. And within the next five years or so voice-response computers will enable consumers to call home to have the computer turn on the air conditioner or turn lights on or off.

And as the computer develops, the telephone is developing along with it.

"Five years from now the telephone will be a small computer, with its own CRT or LCD display built in," believes Bill Gillis, the Mattel vice president heading up the firm's personal-computer launch; Gillis spent several years with AT&T before joining Mattel.

"The telephone will first become a semi-intelligent terminal, offering features such as voice synthesis and control of energy consumption," Gillis told TCR. "For example, the power company could automatically alert you via the telephone not to use your air conditioner during a brown-out. Or, it could shut off your air conditioner itself from a remote location using the telephone wires."

Other possible computer/phone crossovers could include use of a video display to identify the number from which an incoming call is being made, or a computer/phone link to replace a separate answering machine, to name just a few, Gillis said.

"Many other things are possible using the phone and computer," the Bell Labs' Gillette agreed, "but someone has to pay for them. And there are serious questions whether the market is there yet. But when costs come down, the market will be there, and the computer will be as common in the home as the telephone is today . . . perhaps not by the end of the decade, but probably by the end of the century." TCR model used as a primary phone must be sent back for repairs, we'll provide a loaner," he added.

"Our salespeople point out the benefits of each product, but with a soft-sell approach. And they are taught not to be too negative about the phone company, because consumers get skeptical when a store is too negative."

Salespeople must also be knowledgeable about what the phone company is doing, because "many times customers come in and ask about the deregulation and what is legal," Cohen commented.

What about PhoneCenter competition? Ault and Mann are pleased to see American Bell actively promoting telephone purchases, "like no other retailer could afford to do."

'Our salespeople point out the benefits of each product, but with a soft-sell approach. And they are taught not to be too negative about the phone company, because consumers get skeptical...'

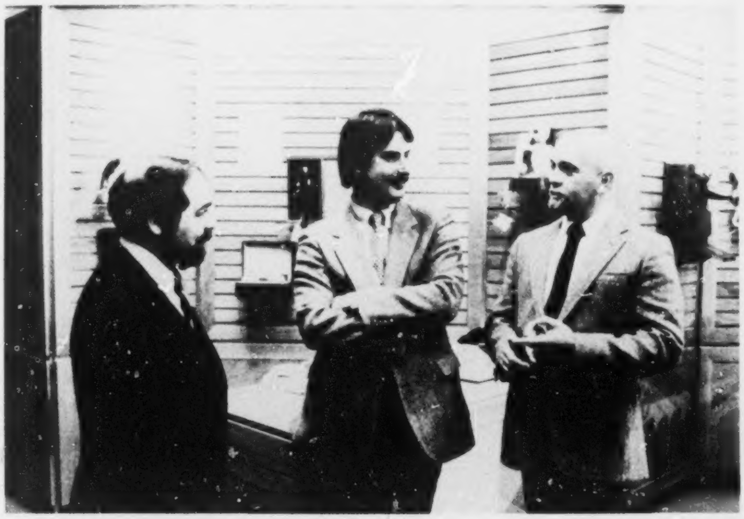
However, Ault told TCR, "I find the PhoneCenters' use of the term 'genuine Bell' rather amusing, since their product line includes models by ATC, Electra, Uniden, Northern Telecom, Code-A-Phone, and others. Obviously, you can fool most of the people some of the time...an uneducated consumer is their best customer."

To educate consumers about the Public Phone Stores, Ault spends about 8 percent of sales on advertising and promotion, usually devoting about 60 percent of his budget to print ads, the rest to radio and television.

"One of our TV commercials promotes price-awareness and stresses that we are not 'the phone company.' In it, a man looks at a telephone in the store and says, 'Only $29 at the Public Phone Store—not the phone company!' "

In another year, however, Ault expects more competition in the marketplace from the Bell operating companies (BOCs), which will be able to sell telephones.

"They will be buying from Western Electric, because nepotism does not die," said Ault. Added Mann, "Two entities will become just one larger monopoly."



Sales trainer Danny Cohen, left, believes with Mann and Ault that salespeople must learn to service the retail telephone customer.

Ault and Mann feel strongly that Western Electric will be one of the strongest suppliers when the BOCs start marketing. "What has happened is that Judge Greene has cloned two Goliaths. If one company (American Bell PhoneCenters) doesn't get the business, the others (BOCs) will," Ault declared.

Mann added, "And as Western Electric cranks up, we will see the PhoneCenters carrying less and less from other manufacturers and offering more variety in their lines. They will become just like Radio Shack."

Mann and Ault told TCR they feel the BOCs should be prohibited from selling telephones, but instead should operate as utilities, turning service on and off and repairing phones: "Otherwise, those two entities will stifle competition again."

But despite the competition, the Public Phone Stores chain keeps expanding. Two new stores opened this month, with six more planned by the end of this year, in addition to the 20 new franchise outlets (see related story on page T-30).

Most Public Phone Stores are similar in appearance, using a modular design which is preproduced and rapidly set up for expansion in mall or other high-traffic stores. ("In the Gallery in Philadelphia, for example, we set up the modules, put counters in place, and started merchandising in 48 hours," Ault said.) The average store has about 600 sq. ft. of selling space.

Most Public Phone Stores are either in malls or in high-density strips, depending on space availability, according to Ault, who sees advantages and disadvantages to both types.

"With a strip store, set-up costs are lower—from $15,000 to $25,000, plus inventory, compared to from $50,000 to $60,000 in a mall; rent is generally lower, the hours are more controlled, fewer personnel are needed, and it is easier to close the sale, because the customer is coming to you with the thought of buying a phone in mind. In a mall store, the custom-

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TCR Consumer Survey

Answering Machines

The 'right' price lures

By Cathy Ciccolella

Consumers setting out to buy a telephone-answering machine today are doing their shopping based primarily on price . . .but salesmanship and/or the added features on today's machines may be trading them up once they get inside the store.

TELECOMMUNICATIONS RETAILER'S recent exclusive survey of more than 400 consumers who own answering machines indicated that while 57.6 percent said they chose the store at which they bought because "the price was right," price was not always the lowest ticket available.

More than 25 percent of the survey respondents said they paid between $150 and $199 for their answering machines. Only 10.7 percent stuck to the low end, paying less than $100 for their answerers, while 21.7 percent said they spent between $100 and $149.

The third-most popular price point — with 18.3 percent of these consumers — was between $200 and $249, while 10.2 percent of the answering-machine owners spent between $250 and $299. Only 12.8 percent of TCR's respondents paid more than $300 for their answerers.

The median price paid was $183.

(By comparison, 62.4 percent of the consumers who responded to MART's recent survey on cordless telephones said price was the most important factor in their buying decision.)

But while price was the most important factor in why these consumers chose the store, it was not the only factor. Underlying the importance of service in the telecommunications field, 26.2 percent of these answering-machine owners said they bought at a particular store because it had a good return policy, and 20.4 percent referred to the store's reputation.

These consumers did not spend much time shopping around: 51 percent bought their machines at the first store they visited, while another 14.7 percent shopped at only one other store.

And 62.5 percent of the survey respondents bought their answering machine on the first visit

Where Did You Buy Your Answering Machine?

Bell PhoneCenter	2.7%
Independent Phone Specialist	8.5%
Department Store	17.2%
Mass Merchandiser	5.0%
Discount Store	16.7%
Electronics Store	21.9%
Appliance/TV Store	4.2%
Catalog Showroom	0.7%
Mail Order	8.2%
Military Exchange	0.7%
Received as Gift	4.7%
Other	10.0%

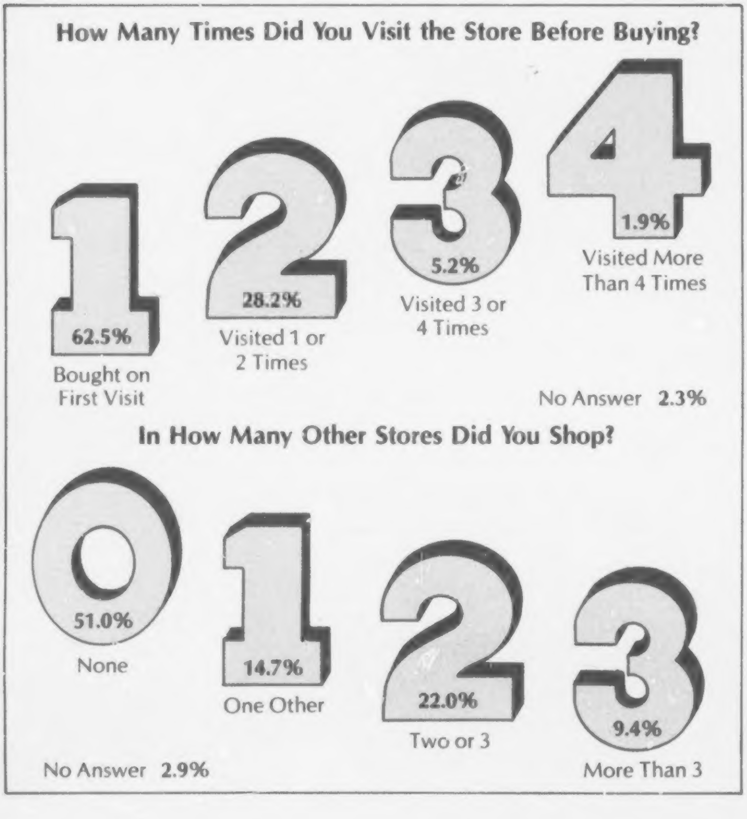
(Adds to more than 100% because of multiple ownership)

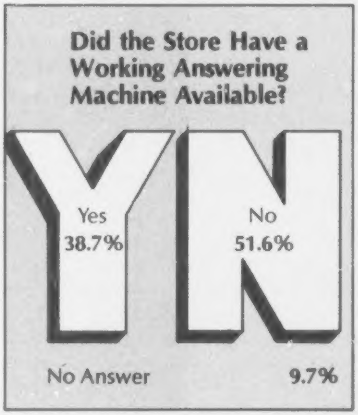
Why Did You Buy at This Store?

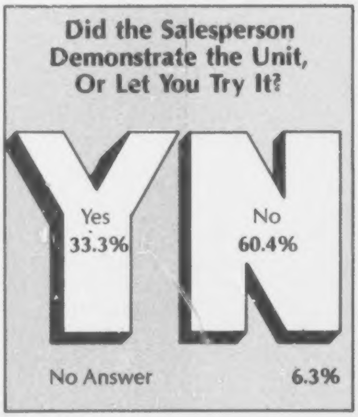
Know Owner or Sales Personnel	8.4%
Salespeople are Friendly/ Helpful	7.9%
Price was Right	57.6%
Good Return Policy	26.2%
Store's Reputation	20.4%
Store Accepts My Credit Cards	11.8%
Other	9.9%

(Adds to more than 100% because of multiple answers)

consumers: TCR survey







to the store.

Where did they buy their answering machines? Traditional electronics stores got the bulk of the business, from 21.9 percent of these consumers. Coming in second with this group were department stores, where 17.2 percent of the respondents bought their answering machines.

Another 16.7 percent bought at a discount store. Telephone specialists attracted only 8.5 percent of these consumers, while only 2.7 percent bought their answering machines at a Bell PhoneCenter.

These customers already had some knowledge or experience with answering machines — 38.7 percent said they first got interested in the product because of a friend's recommendation— which was probably a good thing, because only one-third of them said the salesperson demonstrated the unit for them, or let them try it out. Only 38.7 percent said the

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Answering Machines

store even had a working answering machine available on display.

The bulk of the more than 400 answering-machine owners (62.6 percent) said they are using the units primarily to field business calls while they are away from home; 46.4 percent said their primary use is answering personal calls while they are away, while 13.2 percent are using the answering machines to screen calls while they are home (the total adds to more than 100 percent because of multiple responses).

Tying in with this emphasis on away-from-home and business usage is the fact that 55.9 percent of these consumers said the remote message capability was the most important feature of their answering machines. Slightly more than one-third tapped the call-screening feature as most important, while a voice-activated tape was most important to 27.7 percent.

These answering-machine owners are generally satisfied with their purchases: 86.1 percent said they would buy an answering machine again, while 81.9 percent would buy the same brand again.

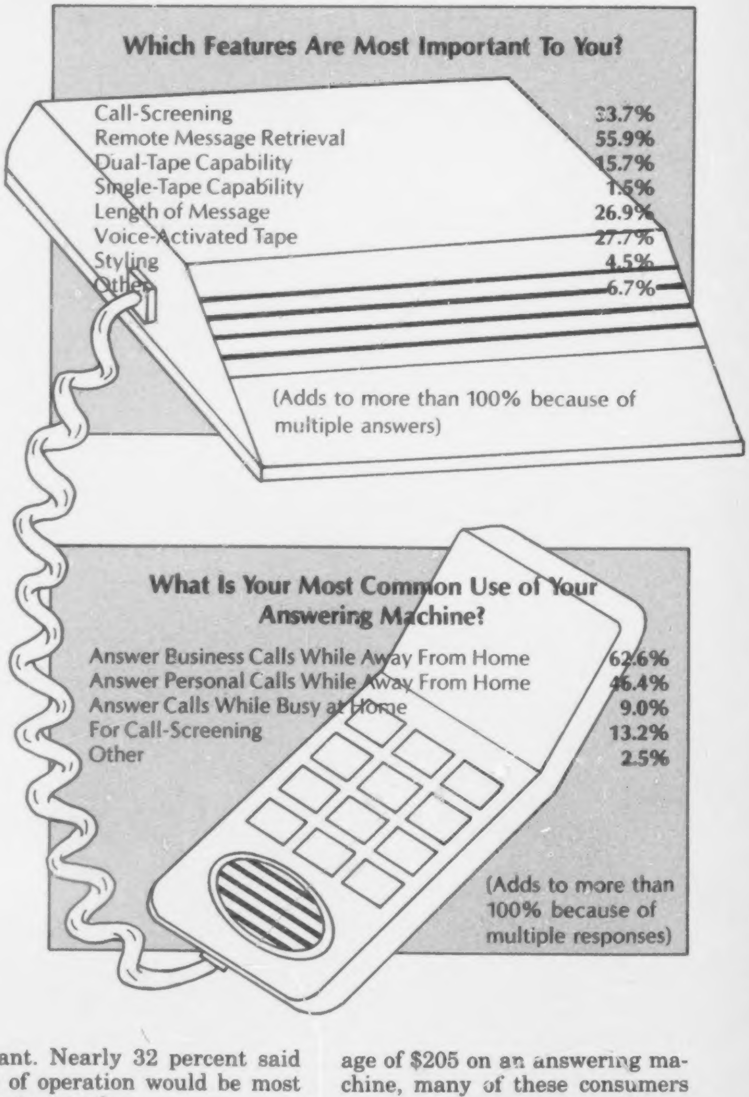
By comparison, 84.1 percent of the respondents to MART's recent cordless-phone survey said they would buy a cordless telephone again, while 77.3 percent said they would buy the same brand again.

If they did have it to do over again, however, these consumers would make their buying decisions based on different criteria. Only 25.9 percent said price would be the most important factor in buying a new answerer, while 39.2 percent cited the manufacturer's reputation or brand as most important. Nearly 32 percent said ease of operation would be most important to them.

Interestingly, only 1.7 percent said the salesperson's recommendation would affect their buying decision.

Having recently spent an average of $205 on an answering machine, many of these consumers are ready to go out and buy another telephone product.

Nearly 25 percent of TCR's respondents indicated an interest in buying a cordless phone, while 15.7 percent said they would most



Which Features Are Most Important To You?

Call-Screening	33.7%
Remote Message Retrieval	55.9%
Dual-Tape Capability	15.7%
Single-Tape Capability	1.5%
Length of Message	26.9%
Voice-Activated Tape	27.7%
Styling	4.5%
Other	6.7%

(Adds to more than 100% because of multiple answers)

What Is Your Most Common Use of Your Answering Machine?

Answer Business Calls While Away From Home	62.6%
Answer Personal Calls While Away From Home	46.4%
Answer Calls While Busy at Home	9.0%
For Call-Screening	13.2%
Other	2.5%

(Adds to more than 100% because of multiple responses)

If You Were to Buy a New Answering Machine, Which Would Be Most Important in Deciding Which to Buy?

Manufacturer's Reputation/Brand	39.2%
Price	25.9%
Ease of Operation	31.9%
Ease of Installation	9.2%
Salesperson's Recommendation	1.7%
Friend's Recommendation	7.0%
Other	10.7%

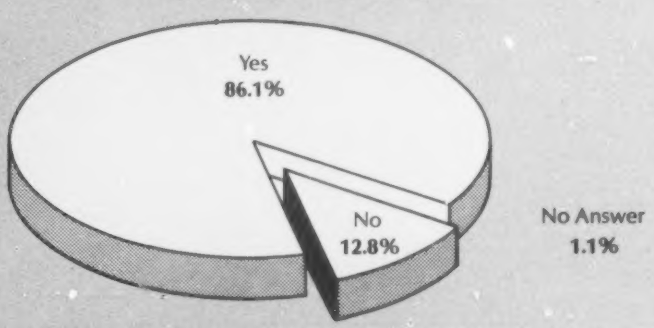
(Adds to more than 100% because of multiple answers)

Which Telephone Product Are You Likely to Purchase Next?

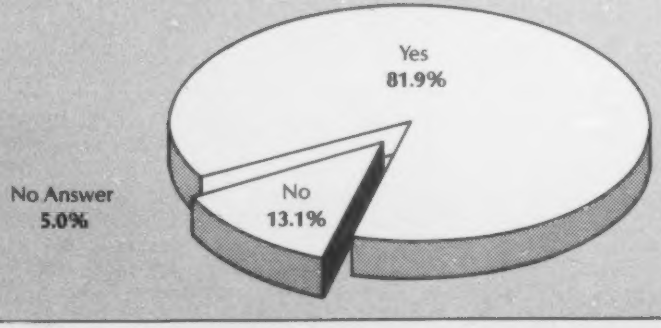
Standard Corded Phone	12.7%
Decorator Phone	6.0%
Cordless Phone	24.4%
Phone/Radio Combination	5.5%
Emergency/Home-Security Phone	4.7%
Automatic Dialer	15.7%
Answering Machine	4.0%
Other	4.5%
None planned	25.7%

(Adds to more than 100% because of multiple responses)

Having Owned One, Would You Buy An Answering Machine Again?



Would You Buy the Same Brand Again?



likely buy an automatic dialer. Just over 12 percent said they expected to buy a standard corded phone, while 6 percent expressed interest in a decorator phone.

(By comparison, 22.9 percent of the cordless-phone owners in MART's survey indicated an interest in buying an automatic dialer, while 22 percent said they would most likely buy a corded phone next, and 19.6 percent said they would most likely buy an answering machine.)

Who are these answering-machine owners? Generally a young, affluent, well-educated group.

Nearly one-third of TCR's survey respondents indicated a total household income of $50,000 or more; another 18.5 percent have a total household income of between $35,000 and $49,999. The median income of these consumers is $38,200. (The median income of

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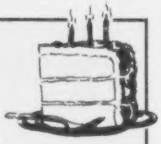
TCR Consumer Survey

Answering Machines



Age

24 or Under	4.5%
25 to 34	27.7
35 to 44	26.7
45 to 54	24.2
55 to 64	11.0
65 or Over	5.7
No Answer	0.2

(Average age 42.7)

Highest Grade of School Completed

8th Grade or Less	0.7%
Some High School	1.5
High-School Graduate	12.0
Some College	27.4
College Graduate	29.2
Post-Graduate Work	28.7
No Answer	0.5

Total Household Income

Less than $15,000	5.7%
$15,000 to $19,999	10.7
$20,000 to $24,999	10.2
$25,000 to $34,999	16.0
$35,000 to $49,999	18.5
$50,000 and over	32.2
No Answer	6.7

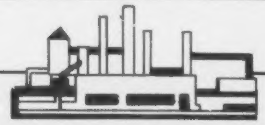
(Median Income $38,200)

Sex

Male	77.1%
Female	21.7
No Answer	1.2

Marital Status

Married	60.8%
Single	24.4
Widowed	1.5
Separated or Divorced	12.2
No Answer	1.0



Employment or Occupation

Professional/Managerial	41.9%
Self-employed	33.2
Sales	11.5
Retired	4.7
Other	13.2

(Totals more than 100% because of multiple responses)

the cordless-phone owners in MART's survey was $31,500.)

More than 29 percent of these answering-machine owners are college graduates, and 28.7 percent said they had done some post-graduate work. Another 27.4 percent of the group said they had had some college education.

Significantly, in terms of business usage of the answering machine, 33.2 percent of these consumers are self-employed. Another 41.9 percent identified their jobs as "professional/managerial," and 11.5 percent are in sales. (The cordless-phone owners in MART's recent survey were 38.5 percent professional/managerial but only 16.3 percent self-employed.)

For telephone retailers, the TCR survey indicates the importance to the consumer of factors beyond price, even though price advertising may have brought him or her into the particular store.

By playing up popular features such as remote message retrieval — especially important to the many consumers looking for answering machines for business-related purposes — the dealer might trade that consumer up to a higher-featured (and higher-profit) product. TCR

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June 1983

30 years of service to the retailer

Volume 29, Number 10

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Cover photograph by Rick Barrick

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Morgan-Grampian
Publishers of American City & County • Mart
Industrial Distribution • Industrial product Bulletin
Contractor • Municipal Index

BPA
ABP

MART (USPS-854-280) including Electrical Dealer, is published monthly by Morgan-Grampian Publishing Co., 2 Park Avenue, New York, NY 10016, (212)340-9700. Second Class postage paid at Crystal Lake, Il. 60014. Subscription rates: $30 per year in the U.S. $42 all other countries, airmail $84. Single copy, U.S., $3: all other countries, $6. Publisher reserves the right to accept or reject any subscription. Microfilm copies of complete issues or reproductions of individual articles from microfilm prints can be obtained from Xerox University Microfilms, Ann Arbor, MI 48109. ©Copyright 1983, Morgan-Grampian Publishing Co. ALL RIGHTS RESERVED, including reproduction of this magazine in whole or in part. **Change of address:** Send to Circulation Manager, MART magazine, Berkshire Common, Pittsfield, MA 01201. Postmaster: Send form 3579 to Circulation Manager, MART magazine, Berkshire Common, Pittsfield, MA 01201.

Executive officers of Morgan-Grampian Publishing Co.: Domenic A. Mucchetti, President; William J. Adams, Vice President, Pittsfield Operations; John Beadell, Vice President, Circulation Systems; Charles Benz, Controller.

Computer/Game Competition Heats Up

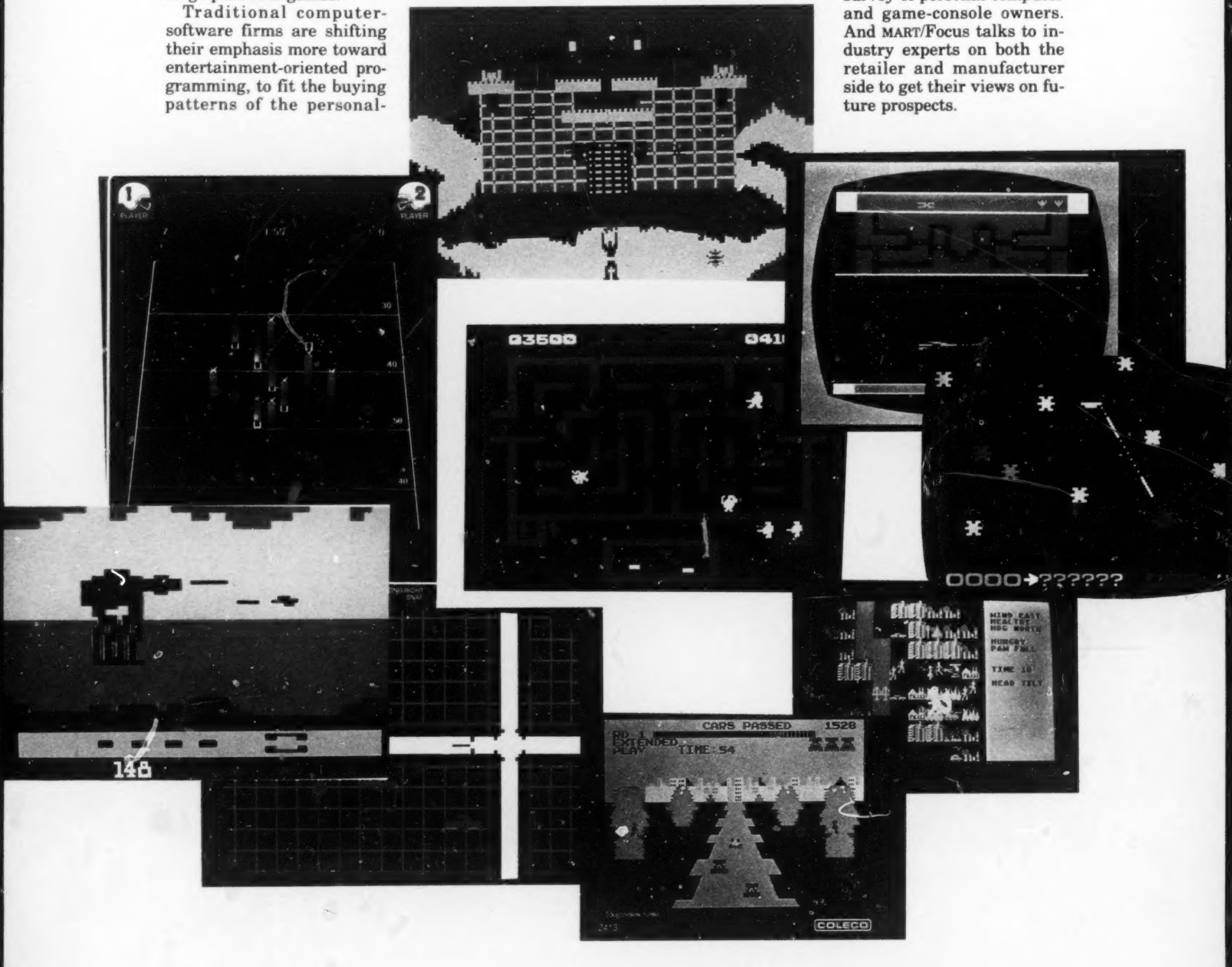
This month's CES could almost be called the "Computer-Entertainment Show," given the amount of attention—and exhibit space—devoted to this fast-growing category.

As sales of personal-computer hardware soar—with roughly 5 million units expected to be sold this year—and the user base of computers in homes grows, more and more computer software is becoming available . . . a large part of it games.

Traditional computer-software firms are shifting their emphasis more toward entertainment-oriented programming, to fit the buying patterns of the personal-computer purchaser. And major suppliers of video-game software are also hurrying to get into this lucrative, fast-growing market.

In this special supplement, MART/Focus takes a look at the computer/game market, both hardware and software, to find out where it's going and where it's been.

A highlight of this Focus section is the industry's first survey of personal-computer and game-console owners. And MART/Focus talks to industry experts on both the retailer and manufacturer side to get their views on future prospects.



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CONSUMER SURVEY

Price Wins Out in the Computer or Game Sale

What's behind the current boom in video-game and personal-computer sales? What type of stores are getting the bulk of game/computer sales, and where is the software business going? How do game and computer customers pick the stores they buy from?

To find out, MART *surveyed 734 owners of personal computers and 577 owners of video-game consoles to check out their buying habits, store preferences, and future purchasing plans. This exclusive survey turned up some interesting similarities between game and computer purchasers . . . and some significant differences, as well.*

In shopping for hardware these days, "price" is the name of the game . . . and also of the computer.

MART's recent survey of personal-computer and video-game-console owners—all of whom had purchased their units within the last year—indicates that (for first-time purchasers, at least), the choice of where to buy is dictated overwhelmingly by economic considerations. Price is also far and away the prime consideration of computer purchasers in making their hardware-brand decision, although video-game owners pick their hardware brands with other criteria topmost in mind, according to our survey.

Once consumers have some experience with these products, however, their ideas change—if they had it to do over again, neither the computer nor the video-game owners who returned MART's questionaire would buy primarily on price.

Of the personal-computer owners responding to MART's survey, a whopping 63 percent said they picked the store at which they purchased on the basis of price. Ranking a far-distant second with this group of consumers was the store's favorable return policy, cited by only 12.8 percent, while another 8.7 percent credited the store's demonstration or explanation of the product with making up their minds on where to buy.

Among the video-game owners, price also ranked on top in picking a place to buy their console, with 55.5 percent rating the store's pricing as number-one. The return policy was also second-most-important with this group, with 16.5 percent of them citing this factor as their decision-maker. Another 10.3 percent were swayed by the store's reputation.

And where *did* these computer and game-console owners decide to buy? Discount stores got the bulk of the business from both groups, with 27.8 percent of the computer owners and 20.6 percent of the game owners saying they bought their units from discounters.

Where Did You Purchase Your Game Console or Computer?

	Game	Computer
Discount Store	20.6%	27.8%
Department Store	14.7%	10.6%
Toy Store	12.7%	3.7%
TV/Appliance Store	10.9%	4.8%
Mass Merchandiser	8.5%	6.5%
Video-Specialty Store	8.3%	4.6%
Catalog Showroom	6.8%	6.5%
Electronics Store	4.2%	7.1%
Military Exchange	1.6%	1.9%
Computer-Specialty Store	0.9%	12.1%
Other	9.1%	10.7%
Received as Gift	2.6%	3.3%

(Totals more than 100% because of multiple responses)

Department stores ranked second with the video-game owners as the place to buy for 14.7 percent, while, not surprisingly, computer-specialty stores were the choice of the second-largest number of computer owners: 12.1 percent of these consumers.

Among the personal-computer owners MART surveyed, another 10.6 percent bought their units at department stores and 7.1 percent at electronics stores.

In How Many Other Stores Did You Shop?

	Game	Computer
None	31.5%	30.4%
1 Other	10.7%	12.7%
2 or 3	32.7%	31.3%
More than 3	22.8%	24.2%
No Answer	2.3%	1.4%

Of the video-game owners, toy stores were the choice of the third-largest number, 12.7 percent, while TV/appliance stores got the business of 10.9 percent of these consumers.

And this group did not do much shopping around. More than 30 percent of the computer owners and 31.5 percent of the game owners said they bought their consoles in the first store they visited, although roughly the same number shopped in two or three other stores before making their purchases.

Once they found the stores they liked, however, 40.6 percent of the computer owners and 54.1 percent of the game owners made their purchases on the first visit. Another 38.3 percent of the computer owners and 32.4 percent of the game owners bought on their second or third visit to the store.

How Many Times Did You Visit This Store to Shop?

	Game	Computer
Bought on First Visit	54.1%	40.6%
Bought on Second or Third Visit	32.4%	38.3%
Bought on Fourth or Fifth Visit	3.9%	10.8%
Visited Six or More Times	5.3%	7.2%
No Answer	4.3%	3.1%

Inside the store, a number of factors influenced this group's decisions on which brand to choose . . . and here the computer and game purchasers diverge sharply.

For the computer owners, price remained the primary criterion: 46.5 percent of the consumers MART surveyed said they made their brand decision based on price. The manufacturer's reputation was of second-most importance to these consumers, with 23.2 percent picking their brand based on its reputation. Other factors rating strongly with this group in choosing a personal-computer brand were a friend's recommendation (for 11.7 percent), the variety and quality of software available (7.9 percent), their experience with the brand or product (7.3 percent), and the computer's ease of operation (7 percent).

For the video-game purchasers, on the other hand, software availability ranked number-one in picking a game-console brand, with 27.9 percent of these 577 game owners citing software as most important

[Continued on page S-12]

Why Did You Purchase the Game or Computer at this Outlet?

	Game	Computer
Price Was Right	55.5%	63.0%
Good Return Policy	16.5%	12.8%
Store's Reputation	10.3%	7.2%
Credit Policy	7.3%	4.5%
Good Demo/Explanation	6.9%	8.7%
Only Place Available	6.9%	4.6%
Know Owner or Staff	5.3%	5.5%
Friendly/Helpful Salespeople	5.2%	5.2%
Convenient Location	0.4%	0.8%
Other	2.1%	2.4%
No Answer	2.8%	1.7%

(Totals more than 100% because of multiple responses)

CONSUMER SURVEY

But Consumers Would Buy Based

[Continued from page S-9]

to them. The manufacturer's reputation came second with this group, mentioned by 19.4 percent of the game owners as most important, while price ranked third, with 14.8 percent citing it as most significant. Friends' recommendations also ranked fairly high with these game owners, with 11 percent telling MART that friends' opinions were most important.

For both groups, the power of positive selling had little effect: only 1.7 percent of the computer owners and 3.9 percent of the game owners ranked the salesperson's recommendation as most important.

Most of these consumers at least had hands-on experience with the products before making their buying decisions: 76.2 percent of the computer owners and 66.7 percent of the video-game owners said the store they bought from had a working model available on display for them to try out.

Overall, these consumers appear to be quite happy with their purchases. More than 91 percent of the computer owners and close to 83 percent of the game-console owners said that, given their experience with the product, they would buy it again, while 76.4 of the computer owners and 74.7 of the game owners would buy the same brand again.

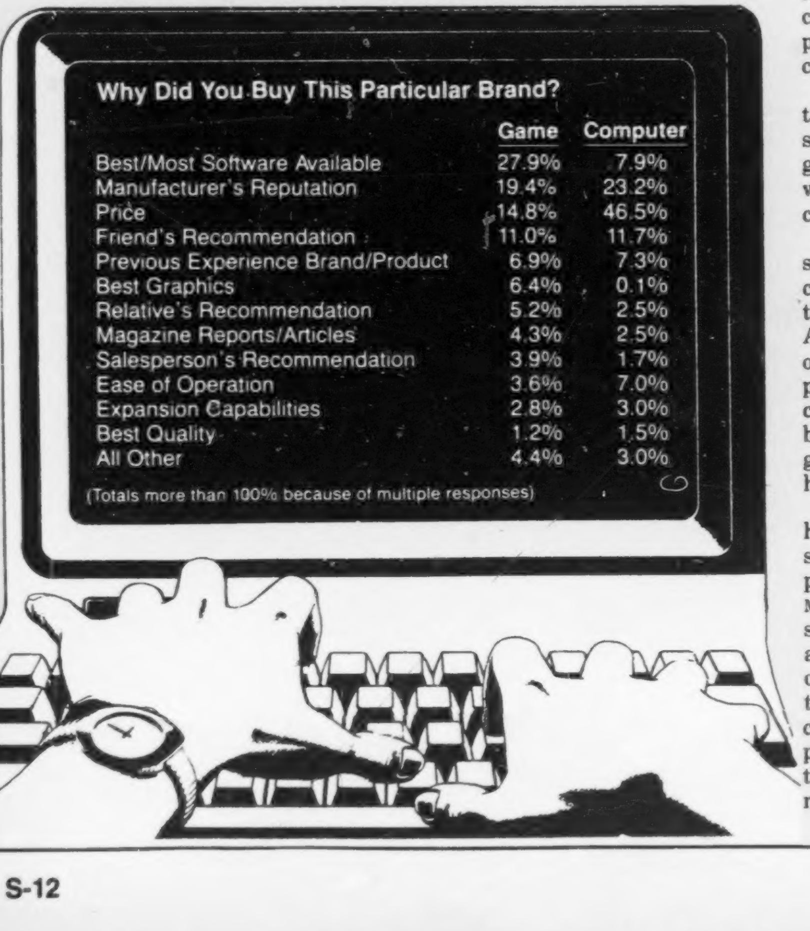
If they *were* to buy again, would they base their purchases on the same factors as before? Most would not.

Among the computer owners, 46.5 percent of whom had made their original brand decision based on price, less than half—only 20.6 percent—would buy again using price as the prime criterion. After some experience with the category, most have decided that software is most important—39 percent of these owners said they would buy a second computer based on the type and/or amount of software available for it.

If You Were to Buy a New Game or Computer Today, What Would Be Most Important in Deciding What Brand to Buy?

	Game	Computer
Amount/Type of Software Available	44.0%	39.0%
Previous Experience Brand/Product	19.4%	15.3%
Manufacturer's Reputation	14.9%	19.9%
Price	13.3%	20.6%
Ease of Operation	5.4%	9.4%
Best Graphics	2.3%	0.0
Friend's Recommendation	2.1%	3.1%
Best Quality	1.6%	0.8%
Expansion Capabilities	1.6%	4.4%
Salesperson's Recommendation	0.3%	0.3%
Magazine Reports/Articles	0.3%	0.8%
Other	2.1%	2.2%

(Totals more than 100% because of multiple responses)



Why Did You Buy This Particular Brand?

	Game	Computer
Best/Most Software Available	27.9%	7.9%
Manufacturer's Reputation	19.4%	23.2%
Price	14.8%	46.5%
Friend's Recommendation	11.0%	11.7%
Previous Experience Brand/Product	6.9%	7.3%
Best Graphics	6.4%	0.1%
Relative's Recommendation	5.2%	2.5%
Magazine Reports/Articles	4.3%	2.5%
Salesperson's Recommendation	3.9%	1.7%
Ease of Operation	3.6%	7.0%
Expansion Capabilities	2.8%	3.0%
Best Quality	1.2%	1.5%
All Other	4.4%	3.0%

(Totals more than 100% because of multiple responses)

Not suprisingly among experienced owners, more than twice as many (15.3 percent) of these consumers said their previous exposure to the brand or product would be most important the second time around, compared to 7.3 percent of the first-time buyers. The manufacturer's reputation was slightly less important to this group, however, after they had owned a computer, with only 19.9 percent naming it as most important if they were to buy again.

Among the video-game owners, software availability and quality also soared in importance in thinking of repeat purchases, with 44 percent of the console owners citing software as their number-one criterion were they to buy a video-game again (compared to 27.9 percent of the first-time purchasers).

Their previous experience with the brand or specific game console ranked as most important with 19.4 percent of these consumers, while 14.9 percent would put the manufacturer's reputation on top if they were to buy again.

Price slipped to fourth place among brand-decision factors for game owners who would buy again, with only 13.3 percent citing it as most important in choosing a game-console brand (compared to 14.8 percent of the first-time purchasers).

As for software buying patterns, the personal-computer owners started out slower than the video-game owners in terms of initial software purchases, and have not caught up since.

Among the computer owners, surprisingly, nearly half (48.6 percent) bought no software at the time they bought the personal computer. Another 21.4 percent bought only one software package, while 14.6 percent bought two. Only 14.3 percent of these computer purchasers bought three or more software programs along with the computer hardware.

Since the hardware purchase, however, their software buying has stepped up somewhat. While 31.7 percent of the computer owners told MART they had bought no software since purchasing the computer, another 15.4 percent had purchased one program, 11.6 percent bought two, and 21.6 percent had purchased from three to five software packages. More than 17 percent of these computer owners have bought more than six pieces of software since buying the hardware unit.

The video-game owners, on the other hand, have been buying more software all along. While nearly 20 percent of them said they bought no game cartridges at the time of the console purchase, 21.8 percent bought one game and 24.8 percent bought two along with the hardware. More than 14 percent bought four or more cartridges at the time of the console purchase.

Since then, these consumers' game-software buying has increased dramatically. Only 5.7 percent have bought no game cartridges since purchasing the console, while 20.6 percent have purchased from six to nine cartridges, and 25.6 percent have bought more than 10 (of those, nearly one-third have bought more than 20 games.)

How Many Software Programs Did You Buy at the Time You Purchased the Computer?

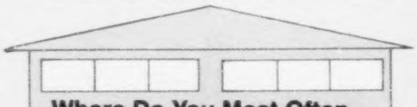
None	48.6%
1	21.4%
2	14.6%
3	6.9%
4 or 5	3.9%
6 to 9	3.5%
10 or more	0.0
No Answer	1.1%

Mean: 1.11

How Many Software Programs Have You Bought Since Buying the Computer?

None	31.7%
1	15.4%
2	11.6%
3	7.8%
4 or 5	13.8%
6 to 9	9.1%
10 or more	8.3%
No Answer	2.3%

Mean: 3.92



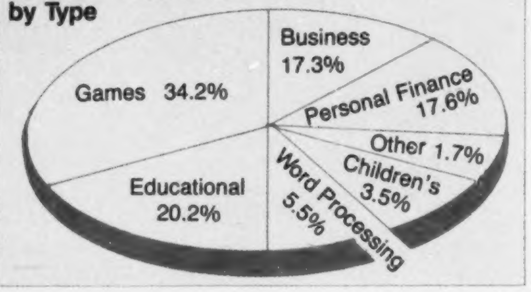
Where Do You Most Often Buy Computer Software?

Discount Store	18.3%
Computer-Specialty Store	17.6%
Mail-Order	15.9%
Department Store	9.0%
Mass Merchandiser	5.4%
Electronics Store	5.2%
Video-Specialty Store	4.1%
Catalog Showroom	4.0%
TV/Appliance Store	1.4%
Toy Store	1.4%
Military Exchange	1.0%
Other	5.7%
No Answer	19.9%

(Totals more than 100% because of multiple responses)

On Software If They Had It To Do Over

Average Share of Computer Software Purchased by Type

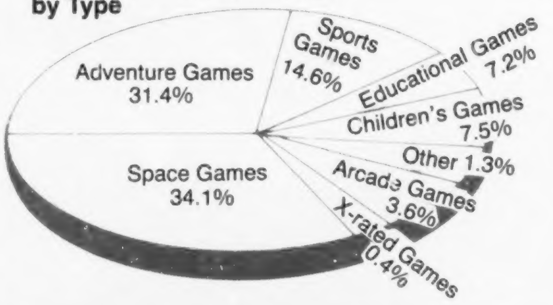


How Many Game Cartridges Did You Buy at the Time You Purchased the Game Console?

None	19.6%
1	21.8%
2	24.8%
3	16.8%
4 or 5	11.5%
6 to 9	2.2%
10 or more	0.5%
No Answer	2.8%

Mean: 1.98

Average Share of Game-Cartridges Bought/Rented by Type



How Many Cartridges Have You Purchased Since Buying the Game Console?

None	5.7%
1	7.5%
2	10.6%
3	9.0%
4 or 5	18.7%
6 to 9	20.6%
10 to 19	18.2%
20 or more	7.4%
No Answer	2.3%

Mean: 7.76

Where Do You Most Often Buy Video-Game Cartridges?

Discount Store	27.0%
Toy Store	15.3%
Video-Specialty Store	14.6%
Department Store	13.0%
Mass Merchandiser	9.0%
TV/Appliance Store	8.5%
Catalog Showroom	5.7%
Electronics Store	5.4%
Military Exchange	1.2%
Other	9.5%

(Totals more than 100% because of multiple responses)

Sex	Game	Computer
Male	73.7%	87.1%
Female	21.5%	11.3%
No Answer	4.8%	1.6%

Marital Status	Game	Computer
Married	63.8%	67.6%
Single	26.7%	27.4%
Widowed	0.5%	0.4%
Separated/Divorced	4.5%	4.3%
No Answer	4.5%	0.3%

Age	Game	Computer
24 or Under	23.2%	19.7%
25 to 34	31.9%	30.1%
35 to 44	31.0%	27.8%
45 to 54	7.6%	11.3%
55 to 64	2.4%	7.9%
65 or Over	0.2%	2.9%
No Answer	3.7%	0.3%
Average Age	33.2	36.3

Interestingly, when asked what kind of software they usually purchased, the computer owners ranked games far-and-away their top choice (cited by 34.2 percent). Educational software came second, with 20.2 percent picking it as their most-frequent purchase. (And 62.7 percent said they usually buy software under the same brand as their computer.)

The video-game owners picked space games as their top preference (chosen by 34.1 percent as number-one), while adventure games were preferred by 31.4 percent.

Discount stores ranked tops with both groups for software purchases as well as hardware: 18.3 percent of the computer owners and 27 percent of the game owners said they most often bought their software at discount outlets.

Computer-specialty stores were the first choice for software for 17.6 percent of the computer owners MART surveyed, while another 15.9 percent said they most often bought software through the mail.

For the video-game owners, toy stores were ranked tops for game cartridges by 15.3 percent, while another 14.6 percent said they usually bought game software in video-specialty stores, and 13 percent in department stores.

(Only 4 percent of these game-console owners told MART they ever rent video-game cartridges, although more than 60 percent said they sometimes play coin-operated arcade games, most of them at least once a week.)

Who are these computer and game owners? The demographics of the consumers MART surveyed were relatively similar for both categories: most are married, male (more so for the computer owners), and have had at least some college education.

These video-game owners are a slightly younger group than the computer owners MART surveyed, with 55.1 percent of the game owners under 35 years old, compared to 49.8 percent of the computer owners.

Both groups are relatively affluent: 47.2 percent of these computer owners and 44.2 percent of the game owners have annual household incomes between $25,000 and $49,999.

What does all this mean to the computer and/or video-game retailer?

It means that price is still the dominant factor in drawing computer and game customers into a store, even though they might not buy on price once they get inside (and almost certainly will not if they've had some previous experience with the category).

It means that a favorable return policy can be a hidden asset for this type of sale, marked second in importance by both game and computer purchasers in choosing a store.

And it means that the sale is not over once the customer walks out of the store with the hardware. Most of these 734 personal-computer owners and 577 video-game-console owners have continued to buy software since they purchased their hardware.

Additional peripherals are also important as a source of plus business: 50 percent of these computer owners told MART they plan to buy a telephone modem to use with their computers, most of them within the next 18 months, while 28.4 percent of the game owners plan to purchase a voice-synthesizer attachment for their game consoles.

So, MART's survey indicates, the computer or game sale is not over with the hardware purchase—it's only just beginning . . . ☐

CATHY CICCOLELLA

Total Household Income	Game	Computer
Less than $15,000	8.1%	9.3%
$15,000 to $19,999	7.5%	7.2%
$20,000 to $24,999	15.8%	15.0%
$25,000 to $34,999	24.8%	25.5%
$35,000 to $49,999	19.4%	21.9%
$50,000 or Over	15.2%	16.3%
No Answer	9.2%	4.8%
Median Income	$32,440	$32,800

Highest Grade of School Completed

	Game	Computer
8th Grade or Less	6.1%	4.0%
Some High School	10.9%	6.1%
High-School Graduate	22.2%	14.0%
Some College	26.0%	29.1%
College Graduate	18.4%	23.2%
Post-Graduate Work	13.0%	23.2%
No Answer	3.4%	0.4%

Video-Game Suppliers Moving into Computer-Game Firms' Turf

Computer-software firms are eyeing the consumer market to broaden distribution

It's happening faster than anyone had thought possible. The computer revolution has finally hit home, and with an estimated six million *additional* personal computers projected to be placed in consumers' homes by year-end, retailers shopping Summer CES will be looking for high-quality computer software, particularly for undersupplied models, such as the Commodore 64.

And as established, third-party video-game-software companies make their first baby steps into the computer-program market, old-hand computer-game suppliers that started out in the Apple disk business are broadening lines to include video-game software. Even as major companies sign up licensed product—both Atari and CBS Software have agreements with Children's Computer Workshop (a subsidiary of Children's Educational Television) and Disney Educational Media to develop computer games (and license them back) for major home-computer companies—the old-line software firms are preparing to enter the consumer market.

Companies such as Broderbund, Epyx, and Sierra-On Line, to name a few, are signing on rep firms and direct sales staff experienced with mass-merchandise outlets, switching into ROM cartridge production, and converting—if possible—older, best-seller programs into new, home-computer formats.

"The home-computer market is going at a faster clip than most people expected," said Broderbund President Doug Carlston. Broderbund is changing its marketing focus to tap into the broader home-computer base, Carlston noted. "The mass market has not been our focus in the past, but we are increasing our attention toward it."

In addition to the IBM PC, the Commodore VIC-20 ("but our emphasis will be on the Commodore 64 rather than VIC because less software is available for the 64," Carlston said), the Apple machines, and Atari's 400/800/1200XL computers, the company will be entering the video game market with cartridges for the Atari 2600 and 5200.

Creative Software, which produces a full line of games for the Commodore VIC 20, is introducing a line for the Commodore 64 as well at the CES, according to Elliott Dahan, director of marketing. Two of its best sellers, Astroblitz and Trash Man, will be converted for use on the 64 computer. Also being introduced at CES are two new games for the VIC-20—Moondust and Rat Hotel.

"Moondust is a total breakthrough in computer games in the sense that the music responds to how you play the game," said Dahan. Rat Hotel is a maze game that includes a new programming technique of random elevators, he added while a third game the firm is introducing, Pipes, is actually an educational program designed to teach conceptual thinking.

Dimension X is Synapse Software's big number at the show. It uses a new technique in graphics called "alter perspective scrolling," said John Loveless, vice president of marketing. "I can't describe it, though—I've never seen anything that looks like it," he told MART.

So the industry can see for itself, Dimension X will be played at the CES on a projection-TV screen. Also being introduced by Synapse are Drelbs, a "warm, fun game with no violence," and Shadow World, the first multi-player, cooperative game, in which two people can play together against the computer.

> *'The home-computer market is going at a faster clip than most people expected.'*

Broderbund (whose sales, last year, industry insiders pegged at about $10 million and project will double in 1983) is introducing four new Commodore 64 titles (Chop Lifter, Sea Fighter, Serpentine, and David's Midnight Magic), four VIC-20 titles (including Sky Blazer and Sea Fox), three new Apple titles (Spare Change and Morfic, among them), and for Atari's computers, Cargo Bay on cartridge.

Some software companies are skipping programming for the Texas Instruments 99/4A because of the company's hold on its proprietary Graphics ROM (GROM) chip and TI's insistence on marketing 99/4A software. Although several firms have been able to program around this difficulty, at least one major independent software firm reportedly is considering filing an anti-trust suit against Texas Instruments, according to industry insiders. Sources also report that Texas Instruments keeps a tight rein on its software sales because for every $1 it makes on hardware, it must rack up at least $2.50 in software to break even.

Epyx will also be expanding its entry into the consumer market, and has signed on 37 new distributors for a total of 100 since last January, according to President Michael Katz.

The firm is showing at CES 15 new products in three new categories—Learning Fun, Action Strategy Games, and Arcade classics. Strategy/Action packaging will indicate how much strategy and how much action is involved in each game. "We're definitely offering more titles on cartridge," Katz said.

The computer game business is still in its infancy, Katz explained. "But the industry's growth will be phenomenal this Christmas."

Sierra On-Line, like other old-line, Apple-software companies, is eyeing the video-game market, and at press time was considering showing an Atari 5200 cartridge at CES. The company was programming its Dark Crystal Atari computer game, but was not sure it would be ready in time for CES.

Although major corporations with substantial advertising and research support will be entering or expanding their commitment to the market, the emerging computer software market has not developed to the stage where price or distribution barriers pose formidable obstacles to smaller suppliers, according to industry executives. "There's no monopoly on success in this business," noted Katz. Added CBS Software President Ed Auer, "I think that 1983 will be the year of positioning for most companies."

CBS Software will be targeting the more "serious" software market, leaving computer games to CBS Electronics. The company recently agreed to market and distribute educational software produced by Children's Computer Workshop.

New products at CES from CBS Software will include Goren Bridge (Apple, IBM PC) for under $100; Success with Math (Apple, Atari); SAT (Apple and IBM PC), about $150; and English Achievement (Apple, IBM PC), about $175.

Walt Disney Educational Media will be displaying its software at Summer CES, but the firm now markets its titles through other suppliers.

Companies marketing Disney titles have underwritten some of Disney's cost in developing the software, and also pay Disney royalties, explained Terry Bochanty, marketing manager for personal computer software.

Companies such as Parker Brothers, Fox Video Games, Starpath, and Imagic will be stepping up computer software activities at CES. Porky's from Fox runs on Atari computers and Commodore's VIC-20, as well as the major video game machines. "We are an entertainment-software company," explained Fox executive Al Pepper. "When the hardware population of a certain model reaches a critical size, then we'll program for it whether game or computer."

Parker Brothers is offering a chess program for the Atari and IBM PC computers.

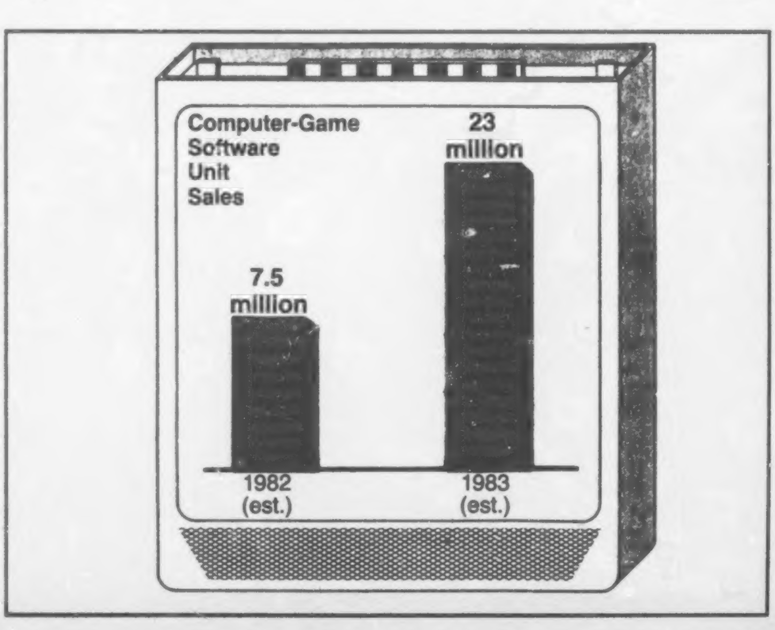
New software company Tronix will be introducing three VIC-20 compatible games, including Gold Fever and Scorpion.

The computer game market is definitely growing, said Bob Goldberg, vice president of marketing for SKU, a large California software distributor: "There's a merging between computer and video games, but computer games will be much stronger in the future.

"We definitely anticipate a significant fall-out of game-software companies, though," Goldberg added. "It's a cottage industry, and it will be very difficult for small companies to compete once the major companies are attracted to it."

The survivors will be the ones with the most clever marketing approaches, he believes. SKU handles about 85 software brands; of those, the four most popular are DataSoft, Broderbund, Creative Software, and Imagic, but they jockey for position month to month. ☐

HOPE HEYMAN



Personal Computers Are on the Rise; Video Games, the Mend: MART Survey

Personal computers surge ahead, as sales of video game hardware fall off

Second-half sales of personal computers may increase up to 50 percent, according to projections of more than half of the personal computer retailers responding to a recent MART survey. For many of these respondents, first-quarter sales either met or exceeded expectations.

Yet the prospects for video game sales in the second half do not look as optimistic. Only one-third of MART'S video game respondents said they expected video game sales to jump as much as 30 percent, and only 2.8 percent expect gains greater than 30 percent.

But in both categories, sales of hardware and software play important roles, although hardware contributes slightly more to personal computer sales volume than software, and video game cartridges are outpacing game console sales at these stores.

In the survey of appliance/TV, electronics, specialty, and department store retailers, as well as mass merchandisers and catalogers, half of the respondents sell personal computers, and 51.5 percent sell video games, with 41.2 percent of the group selling both.

Of the respondents selling personal computers, 41.2 percent have experienced sales activity this year that exceeded their expectations, while 14.7 percent were disappointed by business.

Of the personal computer retailers, 29.4 percent expect sales to increase 26 to 50 percent in the second half, over first-quarter business. An equal number (11.8 percent) expect sales to jump at least 1 to 10 percent or 11 to 25 percent. The median expected change in sales is 32.5 percent.

How do you expect sales in the second half of 1983 to compare to sales so far this year?

Expected % change in personal computer sales

Increase of 1 to 10%	11.8%
Increase of 11 to 25%	11.8
Increase of 26 to 50%	29.4
Increase of 51 to 99%	8.8
Increase of 100%	2.9
No answer	35.3

Median expected change in sales = +32.5%

Expected % change in video game console sales

Decrease of more than 30%	8.6%
Decrease of 1 to 30%	14.3
No change	5.7
Increase of 1 to 15%	14.3
Increase of 16 to 30%	20.0
Increase of more than 30%	2.8
No answer	34.3

Median expected change in sales = +4.5%

What percent of your personal computer sales volume is in hardware? Computer software?

	% of sales in hardware	% of sales in software
1 to 25%	11.8%	26.4%
26 to 50%	14.7	44.1
51 to 75%	47.0	5.9
76 to 99%	14.7	11.8
No answer	11.8	11.8

Average % of computer sales volume in hardware = 58.6%
Average % of computer sales volume in software = 41.4%

What percent of your video game volume is in hardware? Game cartridges?

	% of sales in hardware	% of sales in cartridges
1 to 25%	45.7%	5.7%
26 to 50%	25.7	28.6
51 to 75%	17.2	22.9
76 to 99%	5.7	37.1
No answer	5.7	5.7

Average % of video game sales volume in hardware = 35.4%
Average % of video game sales volume in cartridges = 64.6%

Half of the retailers attributed the sales activity in personal computers to consumers buying units for educational purposes. Small business use was cited by 32.4 percent of the retailers as another reason consumers bought personal computers. Other functions named were game play, by 29.4 percent of the group, and personal financial management, by 26.5 percent of the personal computer respondents.

Video game retailers who responded to MART'S survey reflected diverse expectations for the second half. An equal percentage (14.3 percent) indicated they expected video game sales either to increase from 1 to 15 percent or to decrease from 1 to 30 percent.

One-fifth of respondents said they hoped sales would boom 16 to 30 percent, and 2.8 percent said increases of 30 percent are forecast. The median expected sales change is 4.5 percent.

Likewise, the majority (48.6 percent) of the video dealers revealed that hardware sales were worse than expected first quarter, compared to 17.1 percent who said sales beat expectations first quarter.

For the personal computer retailers, 47 percent conducted from one-half to three-quarters of their business in sales of personal computer hardware. Yet the same number transacted as little as one-quarter to one-half of volume in hardware. The average percent of computer sales volume represented by hardware in these stores is 58.6 percent.

Of these retailers, 44.1 percent admitted software contributed from one-quarter to one-half to their volume. On the average, personal computer software accounts for 41.4 percent of these stores' personal computer volume.

The price point for personal computer hardware that was named most often was $100 to $199, by 23.5 percent of the respondents. Other popular price points ranged from $200 to $299, by 20.6 percent of the sample; and $300 to $499, by 17.7 percent. The median price point is $242.

In software sales, the median price point for personal computers is $29.20. The hot price points concentrated in the $26 to $35 range, according to 38.2 percent of the dealers. Price points greater than $50 were noted by 8.8 percent of the retailers.

With the initial purchase of a personal computer, consumers are likely to spend from $100 to $199 for software or peripherals, said 38.2 percent of the respondents. Some consumers will spend less than $100, noted one-fifth of the dealers, but 8.8 percent said consumers will lay down more than $300. The median amount spent for software at the initial purchase visit is $157.

At the video stores polled, volume is accounted for largely by sales of game cartridges. More than one-third of the retailers said games represented more than 76 percent of their business. More than one-quarter said cartridges netted up to 50 percent of their sales volume.

Video hardware is losing out to software. Nearly half of the video respondents said hardware accounted for as little as one-quarter of their volume. Another quarter of respondents said consoles provided 26 to 50 percent of business.

Cartridges represented 64.6 percent of video game sales volume on the average, and hardware translated into 35.4 percent of video game sales dollars.

However, only 17.1 percent of the operations surveyed rent video software.

Pricing on video games is concentrated heavily in the $91 to $100 range, according to 42.8 percent of the video respondents. The median price point falls at $98.

The median price point for game cartridges is $22.50, although 28.6 percent of the retailers said $26 to $30 was strong. About 14 percent of the retailers said tags under $15 were hot, as were $16 to $20 tickets.

Whatever the price, consumers tend to buy at least two cartridges with initial purchase of the console, suggested the majority of the respondents.

And in the first year of ownership, consumers returned to the store to buy a total of seven cartridges, on the average. One-fifth of the respondents said consumers buy four to five games; another one-fifth said 10 or more games. Nearly one-third of respondents suggested six to seven cartridges were common purchases.

And if the tide of consumer buying habits continues—according to the projections of 41.4 percent of the respondents—more and more retailers may enter the personal computer arena this year, to reap profits and possibly fill the slack created by the video game business. ☐

What is your hottest price point for personal computer hardware?

Under $100	8.8%
$100 to $199	23.5
$200 to $299	20.6
$300 to $499	17.7
$500 or more	11.7
No answer	17.7

Median price point for personal computer hardware = $242

What is your hottest price point for video game consoles:

$90 or less	5.7%
$91 to $100	42.8
$101 to $150	14.3
$151 to $200	14.3
More than $200	2.9
No answer	20.0

Median price point for video game consoles = $98

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Retail Management

MART
JUNE 1983

First Row Home Video Hops with Rentals

Personalized service shows the store's clientele its selection, X-rated movies

With only 800 sq. ft. of floor space, business becomes so hectic on weekends at First Row Home Video, of Livingston, NJ, that customers take a number from a deli-type machine and wait their turn for service.

The compact, but modern, store keeps two people on duty at all times, and during the busy rush hours, normally a third is also on hand, said Ron Munkacsi, operations manager.

Personalized service, no matter how crowded the store is, is important to the store's 700 club members and non-members, since video movies are locked behind glass display cases. Because of space limitations, the cartridges also are positioned sideways, concealing each cartridge's graphics.

Ron Munkacsi's store carries more than 2,300 movie titles.

Looking about him, Munkacsi said, "We would like to display our merchandise differently, but there's no space. We inventory everything in Beta and VHS. We simply had no idea how fast this industry would grow."

Everything, incidentally, is an inventory of 2,300 movie titles, plus hardware and accessories, including hardware rentals. Rental fees for three VHS and one Beta recorder units and three color cameras are $29.95 per day for the deck units, $59.95 per day for the portable (i.e., two batteries), and $39.95 for

[Continued on page 104]

NARDA Faces Challenges of 80s

Convention speakers advise A/TV retailers how to cope with the market's changes

At NARDA'S 40th convention in Washington, DC, participants focused on ways to cope with a marketplace in the throes of change. In seminars, such as "Diversifying To Insure Your Future," and "Meeting the Needs of 1984's Customers," panelists offered encouragement and advice to retailers looking to rebound from a lackluster year.

[Continued on page 105]

What's So Great About Buying Groups?

235 retailers tell MART the advantages . . . and the disadvantages

There is no denying that buying groups are becoming a more important factor in the major appliance retail market. The number of groups, and the number of retailers who belong to groups and buying co-ops is growing everyday.

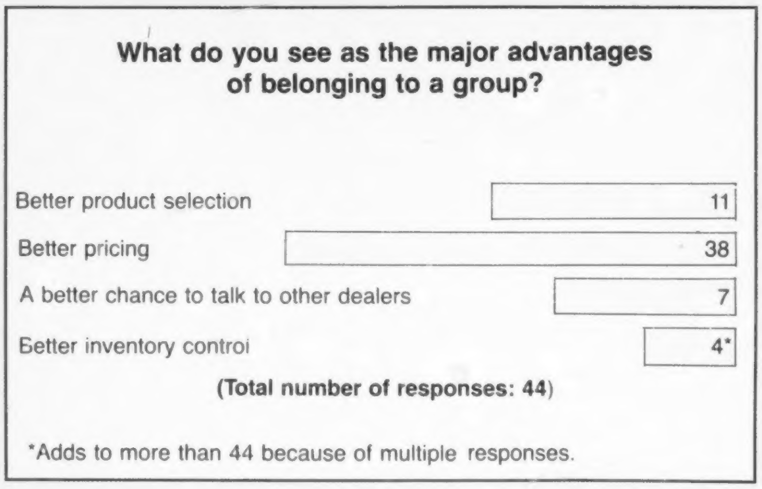
It is variously estimated that buying group-member retailers account for between 30 and 50 percent of all major appliance and consumer electronics retail sales nationally. And some group members feel the percentage is even higher.

It may ultimately be impossible to gauge the size or the scope of the buying groups accurately. Manufacturers are understandably vague in what they are willing to say about the groups and their impact on the market. Their comments regarding groups tend to be general and obvious. Comments such as, "There is no denying that buying groups are a major factor in the business," don't really even begin to address the question.

This report is not an attempt to define the scope of the buying groups, or their impact on the market. It is, however, an attempt to show some of both the benefits and the disadvantages of group membership.

In early April, MART sent questionnaires to 1,000 major appliance/TV retailers randomly selected from our mailing list. The names were drawn to represent all areas of the country, and included retailers with a wide range of annual sales volumes.

[Continued on page 98]



What do you see as the major advantages of belonging to a group?

(Total number of responses: 44)

*Adds to more than 44 because of multiple responses.

Movie Store Thrives in Movie Land

Classics and current hits top Videotheque's library of more than 3,000 titles

Carrying a library of about 3,000 movie titles in both VHS and Beta—from the most obscure film to the latest, first-run movie—Videotheque, in the heart of the movie-making capital, Los Angeles, is flourishing and growing in leaps and bounds, according to its owner.

"Surrounded by people whose livelihood is connected to the film-making business, and who have cinema in their veins, it is only natural to offer a complete selection of movies on video tape in one place. That's what we try to do here at Videotheque," Meir Hed told MART.

Hed, whose background also includes directing films and movies for several years, prides himself on being a movie specialist. He does not sell or rent games or video cassette recorders—the store handles only movies.

Because of the complete selection and his own connection to the industry, Hed considers his store almost a research library of films. Producers and directors will often come into Videotheque to rent or buy films made in the 1930s and 40s as research for movies they are making, he explained.

VIDEOTHEQUE

Located in a wealthy suburb of Los Angeles, 1,500-sq.-ft. Videotheque draws movie buffs who buy about four to five movies per visit.

Videotheque carries cassettes of movies from as far back as 1895. In addition, the store is well stocked with foreign films and, of course, first-run movies, which often preview at the store.

"But there's more to a movie store than just making money," Hed noted. "It's a fun place. On Saturdays, people come here to meet;

[Continued on page 103]

Why Join a Buying Group? Members Tell Why...

[Continued from page 93]

A total of 235 retailers returned completed questionnaires. Of these, 44 said they were members of a buying group, and 191 said that they were not group members. The questionnaires were returned anonymously in pre-addressed envelopes.

For what it's worth, the questions were worded in such a way that the retailers had to supply written answers. This was not a multiple-choice questionnaire. And we gave the retailers plenty of room to write in additional comments.

The most significant finding in the survey? There are definite and demonstrable advantages to belonging to a buying group.

The 44 group members who answered the survey said that they had found advantages to belonging to the group. The most frequently cited advantage was better pricing from the manufacturer—the group's volume buying gives retailers better pricing than they were able to negotiate as an individual.

In addition to better pricing, several group members noted better selection of product. Groups typically carry more lines than an individual retailer, so group members are able to offer a better selection to their customers. And because of the group's volume buying and local warehousing, several retailers noted that product availability had improved since joining the group.

And being a group member gives the retailer more contact with other retailers. A number of group members mentioned the exchange of ideas with other retailers as a primary benefit of group membership.

On average, group members carry more lines of product than their non-group compatriots. Before they joined the group, these retailers carried an average of about 5.4 lines. But since joining a group they carry an average of 8.7 lines. (It is not uncommon for a retailer to double the number of lines he carries when he joins a group.)

While some groups are localized and regional, and provide warehousing service for the group members, other groups are national or spread out over a large geographic area, and the retail members have to supply their own warehousing. For that reason, there is a wide difference in the amount of inventory that various group members say they carry.

Sixteen group-member retailers said they now carry more inventory than before they joined the group. But 18 said they now carry less.

But if some retailers report higher inventories since joining the group, most buying group members report significantly higher annual inventory turns. Of the 30 group members who answered the question concerning annual number of inventory turns, 22 reported better turns since joining the group, and only two said their inventory turns were higher before joining the group. Group members averaged 3.9 inventory turns a year before joining the group, and are averaging 5.5 turns a year since joining the group. And several group members reported even higher number inventory turns—as high as 10 turns a year.

Not only are their turns better, but profit margins generally improved for the retailers after they joined a buying group. Of the 40 group members who answered the question about profit margins, 29 reported *higher gross margins since* joining the group. Only six said their margins had declined since joining. On average, the group-member retailers reported that their gross margins improved from 20.8 percent to 23.3 percent.

Better product selection, better inventory control, more inventory turns, higher profit margins—most group members have realized dramatic improvements in their businesses since joining their groups.

To be sure, there are disadvantages to group membership. But according to the group members who answered the MART questionnaire, the advantages far outweigh the disadvantages.

Have your profit margins improved since joining the group?

(Total number of responses: 40)

Yes, margins improved after joining	29
No, margins declined after joining	6
Margins stayed the same	5
Average gross margins before joining group	20.8
Average gross margins since joining group	23.3

In which appliance category do you expect most growth in 1983?

(Total number of responses: 40)

Microwave ovens	18
Ranges	5
Refrigerators/freezers	9
Laundry	3
Built-in appliances	2
Dishwashers	1
Compact appliances	1
Room air conditioners	1

In which consumer electronics category do you expect most growth in 1983?

Television	14
VCR	17
Home computers	1
Video disc	1

What disadvantages have you found in belonging to the group?

(Total number of responses: 44)

Loss of independence	3
Too many meetings	3
Group is slow to act, or react	2
I have to buy too much inventory	2
The group does not carry the right lines	3
There is little or no contact with suppliers	1

Do you carry more or fewer lines of products than before joining the group?

(Total number of responses: 28)

Carry more lines	16
Carry fewer lines	3
Carry same number of lines	9
Average number of lines carried before joining group	5.4
Average number of lines carried since joining group	8.7

Do you now carry more or less inventory than before joining the group?

(Total number of responses: 43)

Carry more inventory	16
Carry less inventory	18
Carry same amount of inventory	9

Has your annual inventory turns increased since you joined the group?

(Total number of responses: 30)

Inventory turns were higher before joining	2
Inventory turns are higher since joining	22
Inventory turns are about the same	6
Average number of turns before joining group	3.9
Average number of turns since joining group	5.5

If you are not a member of a group, why not?

Sales volume not large enough	23
No one has approached me	20
I feel a loyalty to manufacturer or distributor	11
I am too independent, don't want to lose control of my business	16
No group in my area	19
It costs too much to join	14
I don't know enough about groups	2
Group product selection is not good enough	6
I buy as well without a group	5
The groups don't carry my lines	5

In which appliance category do you expect most growth in 1983?

Microwave ovens	41
Refrigerators/freezers	37
Room air conditioners	4
Laundry	25
Ranges	19
Compact appliances	1
Built-in appliances	3
Dishwashers	5
Vacuum cleaners	3

...Non-Members Tell Why They Haven't Joined

A small number of group members said that they felt a loss of independence as a member of a group. Sometimes the product lines and models that the group purchases are not the same as the individual retailer would have chosen.

And while the group members generally value the input they receive from other group members, sometimes members complain of too many meetings.

But of the 44 group members who answered the buying group survey, only 13 noted any disadvantages.

The comments of several group members on the disadvantages of groups are:

"The brands that we used to carry are not offered by the group."

"There is pressure to conform to group 'deal' buying."

"Some group lines don't fit into our store mix."

"The group has to carry a broad selection of merchandise to satisfy all types of members, but not always the depth an individual member would want. All members of one group (and for that matter, members of many groups) end up with the same merchandise at essentially the same pricing."

"There is a tendency to defer to the group on decisions previously made independently."

"Some manufacturers demand huge minimum buys."

Nearly 200 retailers who are not group members also answered the buying group survey questionnaire. The most significant and revealing question for the non-group retailers was, "If you are not a member of a group, why not?"

Some non-group retailers carry rather negative opinions about the groups. "They don't carry the right lines." "It cost too much to join a group." "I don't want to forfeit control of my business." "I have a good relationship with my local distributor."

But more often the non-group retailers had more practical reasons for not joining. Most-often-cited reasons were: insufficient annual sales volumes; no buying group in the immediate area; and simply that no one had ever asked the retailer to join.

Some other reasons given for not joining a group:

"We have better inventory control by buying at the local level. Plus, we get more rapid delivery, and special concessions."

"Our big question to all the stores that have joined groups to be able to buy at a lower cost is—What will the outcome be when everyone buys from a group? What will be the price difference? Won't it then be group against group instead of brand versus brand? So what have we gained?"

To join, or not to join, that is the question. And increasingly appliance retailers are opting to join buying groups.

In which consumer electronics category do you expect most growth in 1983?

Television	39
Video disc	9
VCR	40
Telephones	8
Home computers	10
Projection television	1
Video tape	2
Video games	1
Satellite dish antenna	1

The buying group is another weapon in the struggle for retail survival against such strong opposition as the big-volume national and regional mass merchandisers. Certainly there are independent retailers who will survive and thrive in the years ahead without joining a group. But the trend is definitely toward increased buying-group participation. ☐

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July 1983

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A shot in the arm for audio sales
WANTED
for Fall:
Microwave Ovens/Cookware
Reward:
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WANTED
for Fall:
Cordless Phones
Reward:
Ring up portable profits
for Fall:
Coffeemakers
Reward:
Profits by the potful
WANTED
for Fall:
Gas Grills
Reward:
that really sizzle
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for Fall:
ortable Video Recorders/Cameras
Reward:
Watch video volumes move
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Reward:
A smart way to draw repeat customers
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Vacuum Cleaners
Reward:
A pick-up in sales

MART

ESTABLISHED 1953

July 1983

30 years of service to the retailer

Volume 29, Number 11

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CD pricing to fall below $500 5
Demand for phones exceeding supply 5
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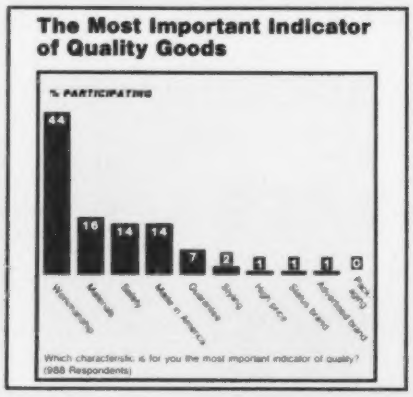

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Morgan-Grampian
Publishers of MART • TCR • American City & County • Contractor • Industrial Distribution • Industrial Product Bulletin • Municipal Index

BPA
ABP

MART (USPS-854-290) including Electrical Dealer, is published monthly by Morgan-Grampian Publishing Co., 2 Park Avenue, New York, NY 10016, (212)340-9700. Second Class postage paid at Crystal Lake, Il. 60014. Subscription rates: $30 per year in the U.S. $42 all other countries, airmail $84. Single copy, U.S., $3: all other countries, $6. Publisher reserves the right to accept or reject any subscription. Microfilm copies of complete issues or reproductions of individual articles from microfilm prints can be obtained from Xerox University Microfilms, Ann Arbor, MI 48109. ©Copyright 1983, Morgan-Grampian Publishing Co. ALL RIGHTS RESERVED, including reproduction of this magazine in whole or in part. **Change of address:** Send to Circulation Manager, MART magazine, Berkshire Common, Pittsfield, MA 01201. Postmaster: Send form 3579 to Circulation Manager, MART magazine, Berkshire Common, Pittsfield, MA 01201.

Executive officers of Morgan-Grampian Publishing Co.: Domenic A. Mucchetti, President; William J. Adams, Vice President, Pittsfield Operations; John Beadell, Vice President, Circulation Systems; Charles Benz, Controller.

Consumer Electronics

MART
JULY 1983

Software Issues and Product Abound at CES

Price, distribution channels led the list, followed closely by standards and training

Meteoric growth catapulted computers into a new dimension at this summer's Consumer Electronics Show—a home of their own. The exploding industry mounted its own show within the show, using 150,000 net sq. ft. in a new exhibition location—McCormick West. Some 200 hardware and software companies starred in the production, and the first-ever Software Showcase honoring conceptually innovative, technically superior software captured the limelight.

Logically so. Software companies numbered high among the 200 exhibitors at McCormick West, confirming a shift from hardware-driven to software-driven computer sales.

Hardly a mature industry though, issues are as prolific as product. Price was the prime concern, with a few rumors of imminent price wars underfoot as hardware continues its downward spiral. Suppliers fear that consumers will resist spending $39 on software for $89 computers.

Though Tronix Vice President of Marketing Rick Taggert admitted feeling tremendous pricing pressure, Tronix will not succumb. "We strongly believe good products are worth the $30 price range," said Taggert, and Tronix intends to stand firm with price points of $29.95 for cassettes and $39.95 for cartridges.

"Unfortunately, the industry is leading the consumer in breaking price," said Taggert. "The consumer wants price value, not just price."

According to David Blumstein,

[Continued on page 23]

JVC Debuts VHS Hi-Fi—But Only As a Test

VHS Hi-Fi is on deck for '84, but doubts surround the format

Industrywide elation over tremendous first-half VCR sales was heightened at CES by the booming sound of JVC's new VHS Hi-Fi.

JVC demonstrated a working model of a format it hopes to ship to dealers sometime early next year. "That means anytime between the 1st of January and the end of March," George Meyer, JVC video product manager, told MART.

Several unknowns cloud JVC's VHS Hi-Fi project, however, aside from its rollout date. The VCR manufacturer has yet to determine what features will be offered on the

[Continued on page 6]

CES Stars: Computer, Phone, CD

International Summer Consumer Electronics Show
Panasonic
Emerson
THE SOLID GO

More than 83,000 people thronged McCormick's Place and McCormick Place West in Chicago last month for the Consumer Electronics Show—for computers, telephones, and digital audio, traffic indicated.

It was a computer show. It was a telephone show. It was an audio show.

It was the 17th Summer Consumer Electronics Show (the 28th overall), and it seemed like *everybody* was there. The official attendance figure released by the Electronic Industries Assn./Consumer Electronics Group was 83,311.

And while some of the bigger names in audio/video and prerecorded video software did not exhibit, suppliers of the three hottest categories today—computers and software, telephones, and digital audio—were in abundance.

The computer dealer who came to Chicago found news on both hardware and software, with sharp price cuts and new products.

Roughly 15 percent of the floor space at this show was devoted to telecommunications, with a number of consumer-electronics firms moving into the telephone business to compete with the more-traditional suppliers.

And in audio, the CES provided a first chance for many retailers to see actual production models of the digital audio equipment they've been hearing about. ☐

Compact Disc Players To Drop Below $500 by '85 As Competition Drives the Price Down, Sales Up

CD is gaining worldwide acceptance in home audio and autosound applications

Not only has the audio industry decided on one format as well as name and logo for the compact disc, but the player is slowly gaining worldwide acceptance in both home and car audio applications. Otherwise referred to as digital audio disc, the compact disc (CD) is rolling out in strength, as more and more manufacturers, such as Sony, Magnavox, Technics, Hitachi, Sansui, NEC, Akai, Mitsubishi, among others, enter this market segment and step up R+D and production levels to meet demand for first- and second-generation players.

Up to 55 companies are licensed to produce the player—ranging in price from $800, for Magnavox's FD1000SL series, for example, up to $2,800 and above, for Fisher's matched component System 4900B including player. And as more suppliers provide product and compete for market share, pricing is expected to drop—from the mean price point of $1,000 to as low as $300 to $600 within two to three years, according to suppliers queried at the recent Consumer Electronics Show.

Conversely, pricing on the $15 to $20 CD software is expected to fall only slightly, suppliers report, even as the seven major record companies, under the auspices of CBS/Sony and Philips, expand their production capabilities. Royalties for major recording artists released on discs, as well as import taxes and quality control, are expected to keep costs high—and up to par with $15 digitally mastered recordings—explained industry sources at the SCES.

Moreover, many suppliers are ex-

[Continued on page 28]

Demand for Telephones Exceeding Supply Due to Shortages of Chips, Components

How can a strong demand for telephones be a bad thing? It becomes difficult when telephone manufacturers become sold out, short of supply, and back-ordered, and have to turn customers away and start allocating product to those customers who have put in orders early.

That is the situation the telephone industry is facing right now. At the Consumer Electronics Show last month, almost 98 percent of the telephone manufacturers MART interviewed were in this situation.

The demand for telephones has become so strong that although heavy numbers of units were projected to be sold this year, even these projections are being ex-

[Continued on page 18]

Beta Faces Competition As JVC and Matsushita Preview VHS Hi-Fi

[Continued from page 5]

new Hi-Fi series or what the price points will be.

In light of these unanswered questions, why did JVC choose to conduct a seemingly premature demonstration?

"For two reasons," explained Meyer: "due to the Beta camp's introduction of Beta Hi-Fi, we thought it was important to say, 'hold on, we can do it and do it well, too!'

"And quite honestly, when we let it be known that we'd be showing VHS Hi-Fi at CES, we thought we were going to have product for shipping sooner than the date we now anticipate."

JVC may have had the distinction of being the first to show VHS stateside, but VHS manufacturing competitor Matsushita is already marketing its own version in Japan. Matsushita, as well as Hitachi, reportedly had their own versions at CES in private viewing rooms. But neither company invited the press to see them.

Some doubt still lingers as to whether the JVC system and the Matsushita systems will be compatible. "We know at this point that our and their video are compatible," said Meyer. "We hope the systems will be completely compatible (audio and video) by the time they roll out next year."

The different units employ three distinct noise-reduction systems, including Dolby C, dbx, and new PNR compression-expansion system.

An underlying fear of the whole VHS Hi-Fi drama is that retailers could be faced with another format breakdown in the video category à la CED/laser disc and Beta/VHS. The piecemeal manner in which the VHS camp is handling the introduction of its Hi-Fi product (or products?) only fuels suspicions that it may not be able to agree on a standard delivery system.

Bob McCarthy, Panasonic national sales manager for VCR sales, told MART the VHS camp had yet to concur on a standard Hi-Fi format. But, not suprisingly, he added, "The VHS camp is well aware of the market conditions, and I expect they'll work very hard to come up with a single standard."

Stateside VHS companies are aware of the variables involved with the development of VHS Hi-Fi, and that's causing some hesitiation in charging ahead with its introduction. "We're looking to see where the software stands, then we will make a decision about introducing it," explained Jacques Robinson, vice president and general manager of GE TV, expressing the sentiments of the VHS camp.

The Beta camp, of course, has agreed on a single Beta Hi-Fi format. Sony, Sanyo, and Toshiba all displayed new Beta Hi-Fi additions to their VCR lines, and spokesmen from the companies were saying this could lead to a resurgence in interest in Beta. Publicly nobody was sweating over JVC's demonstration of VHS Hi-Fi, however. "I still think we're a little ahead of their (VHS manufacturers') approach," said Paul Michie, Toshiba vice president for consumer products, typifying the response of the Beta camp.

On paper, the specs for both systems are very close. Frequency response, dynamic range, harmonic distortion, wow and flutter, and channel separation for Beta Hi-Fi and JVC's VHS Hi-Fi are virtually identical. Yet, the VHS companies are still at least six months from having product, while the Beta companies are offering several models of their Hi-Fi. For the time being, it's impossible to judge if mass produced VHS Hi-Fi model will match up to the Beta version.

However, retailers can be assured that there will be VHS Hi-Fi to tempt their videophile customers sometime in 1984. Between JVC's demonstration in Chicago and reports of the Matsushita system already out in Japan, chances are Beta will once again face head-to-head competition on the high end of the VCR market. ☐ JIM ROBINS

VIDEO CASSETTE RECORDERS

Total Sales to Dealers in Units (Thousands)	
1979	475
1980	805
1981	1,361
1982	2,035
1983 (proj.)	3,500
1984 (est.)	4,300

Source: EIA/CEG

Sanyo's Worsham Wins MART Bonanza Drawing

Paul Worsham, advertising-marketing services manager for Sanyo Electric, won a gold Krugerand in a drawing for MART's Bonanza program, held during last month's Consumer Electronics Show. The Bonanza competition was among 12-time advertisers in the magazine; Wally Gilbert, MART's director of marketing, is shown at left presenting the Krugerand to Worsham.

Room at the Top

Donald F. Johnstone has been appointed senior vice president of marketing for *N.A.P. Consumer Electronics Corp.* He was previously vice president of marketing for *Litton Microwave Cooking Products* . . .

John Scully, formerly *Pepsi-Cola Co.'s* president has been named president and chief executive of *Apple Computer Inc.* . . .

Sigmund Hartmann has been named president of *Commodore International's* newly formed software division. He was previously with *TRW Inc.* . . .

Harry Elias has been promoted to senior vice president-sales for *JVC Co. of American's* consumer electronics division. Elias had been vice president-sales, home entertainment and hi-fi divisions. . .

Gary Dartnall, previously president of *VHD Programs* and *VHD disc Manufacturings,* has been named executive chairman of Thorn EMI Video and *Thorn EMI Films*. . .

Newly named executive vice president, sales and marketing, for *Sanyo Electric's* consumer-electronics operation is **Jeff Berkowitz,** formerly vice president and general manager of *Technics by Panasonic*. . .

Robert C. Wright has been appointed vice president and general manager of *General Electric's* housewares and audio business division. Wright was previously president of *Cox Cable Communications.* He succeeds **Walt Williams,** recently appointed chairman of the board and president of *GE Information Services Co.* . . .

Zenith Radio Corp. has named **Gerald M. McCarthy** vice president-sales, consumer products. McCarthy was previously executive director-sales, consumer products. . .

N.A.P. Consumer Electronics has named **Ronald L. Marsiglio** vice president of product planning-color television, and **Louis F. Slangen** vice president of product planning-purchased products. Marsiglio had been director of marketing for N.A.P.'s Sylvania brand; Slangen was director of business planning-audio . . .

Sony Tape Sales Co. has named **Patrick Murray** national sales manager; he was previously with *Numark Electronics* . . .

Overall Consumer-Electronics Trend for 1983 Is Up...Up...Up!

Industry sales of $12.5 billion are projected for 1983, says RCA's Boss at CES

"There's no question that this is the fastest growing and most innovative industry anywhere," EIA Consumer Electronics Vice President Bill Boss of RCA said in his speech during the Consumer Electronics overview conference on opening day. Boss was unabashedly optimistic. "The overall trend in the industry is up, up, up!" he effused.

Industry sales of $12.5 billion are projected for 1983, up from $11.2 billion last year, and EIA estimates put 1984 sales at $15 billion, Boss told the audience. The figures reflect a 12-percent increase for the traditional product categories—audio and video. Add the newest and hottest products—computers, games, and telephones, which are estimated to grow by 50 percent—and consumer electronics is rapidly becoming a $20-billion industry. Projected growth in all product categories for 1983 works out to 22 percent, said Boss.

'Both traffic and excitement are building at the retail level with new product categories such as computers and telephones.'

COLOR TV RECEIVERS

Total Sales to Dealers in Units (Thousands)

1979	9,846
1980	10,897
1981	11,157
1982	11,366
1983 (proj.)	12,700
1984 (est.)	13,000

Source: EIA/CEG

AUDIO COMPACT & COMPONENT SYSTEMS[1]

Total Factory Sales

	Units (Thousands)	Dollars (Millions)
1979	3,811	614
1980	3,241	695
1981	2,939	720
1982	2,537	573
1983 (proj.)	2,500	550
1984 (est.)	2,400	520

[1] Does not include console phono.

TOTAL TELEPHONES

Total Estimated Factory Sales

	Units (Thousands)	Dollars (Millions)
1982	5,700	400
1983	15,500	785
1984	21,000	940

Boosted by the highest level of consumer confidence in 15 years, according to the Conference Board, growth surpassed predictions proffered at the CES in Las Vegas last January, and even weaker product categories are showing new signs of life, he said.

Far and away the hottest product is the computer. EIA projects 150-percent growth in home-computer sales this year, from two million to five million units.

Reflecting the blurred distinction between games and computers, programmable video games are down some 15 percent, but video-game cartridges are "showing steady growth at about 25 percent for 1983, answering the program demands of the nearly one-fourth of U.S. households that already own hardware," said Boss.

Overall, this category shows the greatest growth, and probably the best potential, of any consumer-electronics products, but one of the newest consumer-electronics products, the telephone, is "ringing up sales and profits in a big way" too, with total factory sales estimated at $785 million for 1983. Sales of $940 million are expected in 1984.

Growth of 96 percent is anticipated this year, with a great deal of it in the corded area—a projected 11 million corded phones will be sold for $400 million.

Running neck-and-neck in dollar volume is the cordless, with $385 million in sales expected, though unit volume of course is lower.

Telephone-answering devices represent another attractive growth area "though competition and technological progress are bringing the dollar value of the individual unit down each year," said Boss. Last year factory sales reaped $110 million, while only $100 million is anticipated for 1983, despite an increase of 41 percent in unit sales.

In the more traditional audio category, compact and component systems are essentially flat. Projected unit sales of 2.5 million remain essentially the same as last year's actual sales, with a slight drop anticipated next year. Audio components show an upward trend with 6-percent growth, however, and portable tape equipment is continuing to climb, though its "Walkman era" heyday is over.

About 15 percent more blank audio cassettes are expected to sell this year, but dollar values are increasing only about half as fast, reflecting the intense competition in the field.

Radios are down from 6-percent growth to a predicted 3 percent, "but that includes selling nearly 50 million units this year and every year," Boss pointed out. Home radios continue their steady though modest climb, while the car stereo is expected to rise from the doldrums this year with projected unit sales of 13 million. Autosound equipment is continuing its excellent growth pattern with 13 percent more dollars expected this year.

Sales of color TV sets have finally accelerated, reported Boss. Manufacturers will be shipping 12 percent more units this year than last. Driving this increase is the video cassette recorder, which shows a projected increase in unit sales this year of 72 percent. Prerecorded video tape follows right behind with a one-third increase, and blank video cassettes promise to do even better, with sales set at 50 million this year, "up a resounding 80 percent!"

Video disc players are up 60 percent and software, 80 percent. Projection TV will spark consumer interest as hardware and software improve. A projected 145,000 systems will sell in 1983, up a full 24 percent after a slight decline in 1982.

Last but not least is the color video camera, whose small size, light weight, and diminished prices have for the first time made it a real contender for home movie-making. EIA anticipates 35-percent growth this year.

'Video-game cartridges are showing steady growth at about 25 percent for 1983, answering the program demands of nearly one-fourth of U.S. households.'

Boss rarely used the word "decline," and never to describe an entire product category. The trend is definitely up, and "you can feel the excitement out there in 'Consumer Electronics Land,'" said Boss. "Both traffic and excitement are building at the retail level with new product categories such as computers and telephones and fresh blood being pumped into traditional ones by new products like the digital audio disc and video camera.

"We are approaching a $20-billion industry, and we deserve to be a $20-billion industry," he said. Perhaps most important, "we are learning to think as an industry," Boss concluded, "with millions spent on research and development; training and employing thousands more every year; promoting, advertising, merchandising and really capturing the imagination of the American public; and running businesses, from the smallest mom-and-pop retail outlet to the largest corporations, of which we all can be proud." ☐ RONNIE GUNNERSON

Software Issues and Products Proliferate

[Continued from page 5]

executive vice president of Softsel, the national software distributing company, prices can't drop that dramatically since software is such a labor-intensive product with high royalties paid to authors.

"I don't see a price war occurring," agreed Jon Loveless, vice president of marketing for Synapse. "Technology hasn't allowed cartridge prices to drop."

Cartridges, the most popular format toward which software companies are gravitating in the wake of consumer demand, represent a full 30 percent of cost.

"I do see a price war in software for the new, smaller capacity machines like the Commodore VIC-20 though," said Loveless.

To meet that challenge, Synapse introduced Showcase Software specifically for the VIC-20. Its price? $19.95.

And that same price is top of the line for Timeworks' three new products, which include home management and basic programming for the Timex/Sinclair and Sinclair ZX-81 computers, and Gentry Software, a new division of Datasoft that introduced 12 programs at CES beginning at $14.95 and topping out at $19.95. One is both Apple- and Atari-compatible; seven are for Atari only; and four for Apple.

More than price whirls at the vortex of software competition though. For one thing, software is multiplying faster than hardware, and confusion is rampant.

"If I were a retailer coming in here with open-to-buy," said Cathy Carlston, director of marketing for Broderbund Software, Inc., "I'd be scared to death!"

HOME COMPUTER SOFTWARE

Total Estimated Factory Sales

	Dollars (Millions)
1982	250
1983	800
1984	2,100

Source: EIA/CEG

For help, suppliers have cracked open all channels of distribution and are relying more and more on manufacturers' reps. Tronix announced at CES that it has signed 11 rep organizations, joining a host of other contenders in the mass market—Epyx, Sierra On-Line, Broderbund, which has only recently changed its focus to attract the masses, and Sirius, which introduced a whopping 34 games at CES and sells its products through Sears, Target, Fedco, and Macy's, in addition to more specialized retailers ranging from B. Dalton to The Record Factory and Pacific Stereo.

The mass market was the specific target of Datasoft's Gentry line which is being sold almost exclusively through Toys 'R' Us and is currently being tested with K Mart, according to Datasoft's founder and president, Patrick Ketchum.

"This rapid move to mass merchants that will even be increased this Christmas is alarming," said Bill Bowman, chairman of Spinnaker Software, the granddaddy of learning games. "Software has moved from computer specialty stores to mass merchants, bypassing more specialty-oriented stores where more service can be provided.

"The consumer is not moving as fast as the distribution channels are. Computers are only in 2 percent of homes now," Bowman pointed out, "and the consumer is confused by the proliferation of hardware. He or she doesn't know much at all about software. Yet it's really hard for manufacturers to help with advertising and promotional support until there's an installed base of 10 to 15 million units. That will happen by Christmas, 1984, not 1983," said Bowman.

The shift toward mass merchandising may intensify in the exploding non-game market without retailer support for that software, according to Clive Smith of The Yankee Group. His firm found that the single most perturbing factor to the consumer was software. The way it was handled by the retailer determined whether or not a customer returned to a store.

Responsibility lies with the supplier to ensure simplicity in non-game software though. According to Broderbund President Doug Carlston, "Ease is the most important carryover into non-game software."

Home-productivity software such as Bank Street Writer is making significant inroads in the non-game market. So is educational software, which is expected to grow from $70 million last year to almost a billion dollars in 1987, according to Future Computing, Inc.

But the best-selling bridge between game and non-game software for now is "edutainment," or learning games. Though Epyx President Michael Katz predicted that market share will remain proportionately the same with games garnering 45 to 50 percent and education retaining a share of about 15 to 25 percent, edutainment was on the lips of everyone at McCormick West this past June.

Program Design, Inc., introduced two new interactive children's stories, Teddy's Magic Balloon and Robin's Halloween, accompanied by voice narrations. Roklan Corporation presented six games intended to offer "education through entertainment" for elementary school age children in the home. Cartoon characters from the B.C. and Wizard of Id comic strips debuted in Sydney Development Corporation's new line of education-oriented computer games.

> *'Software has moved from computer specialty stores to mass merchants, bypassing more specialty-oriented stores where more service can be provided.'*
>
> *—Bill Bowman*

Parker Brothers announced a major long-term commitment to the personal software market at CES and accompanied it with eight titles, including Chess computer games. The company expects to grab 15 percent of the computer-game market this year, producing for the Atari, Commodore, IBM, and Texas Instruments formats.

The portable Monty® Plays Scrabble® bowed from Ritam Corporation; Lifespan, the first video game produced as a work of art, was presented by Roklan Corporation; and RolandCorp introduced Compu-Music Software for musical computer buffs. And Disney got into the act at last. Its first computer program is Mickey in the Great Outdoors.

Even the game giant, Imagic, will soon whip up an assortment of educational software. But it will do so in conjunction with Texas Instruments.

Controversy sparked by TI's proprietary hold on its GROM chip has whaled at the machine, and suppliers have been trying to find a way out of the dilemma. Atari announced that TI 99/4A-compatible games will bow in October when Atari will introduce software for five competitive computer systems, and Elliott Dahan, director of marketing for Creative Software, said his company has acquired a small Texas company named Funware that has found a legal and technological answer to the problem.

Consistent with a major thrust within the software industry, Sirius Software has also stepped up its advertising and packaging style, specifically to accompany its move into mass merchandising.

Image building is paramount. Sirius is accompanying its move into mass merchandising with a new, comic-book-style catalog and ads. Human Engineered Software (HES) announced at CES that it will change its name to HesWare to achieve strong product identification.

And Epyx, incidentally another company that has entered the international market, has changed its image as well. At CES, Epyx introduced three new product categories: Action/Strategy, Learning Fun, and Arcade Classics. The company will continue its strategy series, but packaging and advertising have been dramatically revamped.

If the industry didn't know better, companies' "compatible" lists might seem tongue-in-cheek. Unfortunately, they are all too true, and Ken Williams, president of Sierra On-Line, lamented the plethora of games resulting from the lack of standardization in the hardware category.

If industry predictions hold, standardization may be in the offing. According to Future Computing, this year "the window will close for entering the home-computer market with a brand-new machine which requires new software. After 1983 defacto standards will become increasingly important, and only evolution of the established home computers and possible personal-computer derivatives will be viable."

In the near term, however, training of the retailers is imperative. Too few retailers know how to support software, and too few suppliers can afford one-on-one training of retailers.

Softsel announced an innovative solution at CES, however. The software distributor has decided to serve as a mediator between manufacturer and retailer and is sponsoring a two-day software dealer training program called Softeach that will be free to active Softsel dealers by invitation.

As it and other available training diminishes retailers' current doubts, however, new issues crop up at a fast clip. Electronic distribution and laser technology were nascent at CES and can be expected to impact the industry soon. Such growth can cloud current issues, though, according to Williams, who believes in dealing with the present.

"The new technologies that will impact software are a few years away," said Williams. "The greatest issue over the next few years will focus on getting the *present* technology to the consumer." ☐

RONNIE GUNNERSON

Tape Firms Target Promos, Packaging Second Half

Big second-half POS push is planned by blank tape manufacturers

Video- and audio-cassette manufacturers are gearing up for big second-half sales . . . and with good reason.

VCRs are selling at a fast clip—twice last year's rate. Personal-stereo/cassette-player sales continue to climb at a healthy rate. Auto sales are up, and cassette car system sales should increase apace with those figures.

With records selling at upwards of $8 apiece, home taping is certainly on the rise. No wonder tape manufacturers at the June CES were feeling bullish about the last half of 1983.

Manufacturers are also putting new emphasis on the packaging of their tape products.

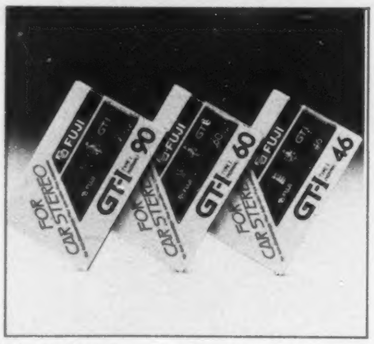
Manufacturers that don't already have uniform product coding on their packaging have plans to include it in the near future. "It's a necessity to have UPC on our packaging if we want the mass merchant's business," commented one company spokesperson.

With the mass merchant in mind, almost all cassette manufacturers plan to offer blister cards for their video as well as audio lines.

Several special packaging features, which address specific applications for tape products, also debuted at CES. Retailers can look for more durable, dust-resistant video-cassette packaging aimed at the portable-VCR market. Heat-resistant packaging for audio-cassette packaging is being rolled out for the autosound market.

BASF is offering UPC labeling for its full line of audio and video tape. The inclusion of UPC is part of a repackaging program that includes all BASF tape.

At CES, BASF announced it was offering lifetime guarantees on all its video cassettes. "We're expecting especially big things from our high-end pure-chrome super-high-grade line of video cassettes," Mark Dellfera, director of marketing, said.



Fuji's GT-1 packaging is heat-resistant for in-car use.

BASF will be promoting its tapes with an advertising campaign in major mass-market magazines.

3M is also offering special point-of-sale promotions. A "buy five, get one free," video-tape program starts this month and runs through October 15. A dollar rebate program, also for video cassettes, will follow and continue through Christmas.

This fall 3M will launch a national TV campaign to promote its tape.

Bob Burnett, 3M's tape division business development manager, is expecting strong sales from a new line of video cassettes aimed at the VCR market. "We believed there was a need for a durable tape for the portables," he explained. "So we've come out with a shell that is 15 to 20 percent stronger than what is generally offered."

A more durable audio-cassette line was introduced by Fuji at the June CES. The new line, called GT-1, is targeted for the in-car cassette market and features heat-resistant packaging and casing.

"We've done extensive market research and found a real need in the marketplace for a specialized cassette for in-car play," explained John Dale, vice president and general manager.

For its video-cassette line, Fuji is offering a special point-of-sale promotion. An "Add 'n Stac" cassette case will be included with the purchase of three video cassettes.

TDK has two special audio-cassette promotions planned for point-of-sale this summer. The first promo is a package of six 90-minute cassettes, packaged with a TDK T-shirt.

The second promo is a five-pack of 90-minute cassettes that includes lightweight folding headphones.

Maxell has high hopes for its "Play it Again, Sam" advertising campaign. The promotion is for Maxell video cassettes and features Humphrey Bogart in his famous Casablanca personna in print ads and countertop displays. "We feel this campaign is perfectly geared to give us the brand recognition with the consumer we've been looking for," Don Patrican, Maxell's national sales manager for video, said.

Of course, the big news from Sony at CES was its announcement of its intention to market VHS video cassettes (see story on this page) as part of a new aggressive marketing strategy.

Sony has a point-of-sale summer promotion planned for its Beta line of video cassettes. The "Have A Ball" promo features giveaways of Spalding tennis balls, golf balls, and baseballs with the purchase of three Sony video cassettes.

A special promotion for Sony audio cassettes starts this month as well. The summer "Sub-Sale" offers a case of 10 audio cassettes for the price of eight.

Both Sony's audio- and video-cassette promo sales will be supported by POS posters and an advertising campaign in major magazines, including *Sports Illustrated*, *Time*, *Newsweek*, and *Playboy*.

Konica, a manufacturer best known for its cameras and photocopiers, unveiled a new line of audio- and video-cassette products.

VIDEO TAPE (Blank)

Total Estimated Sales to Dealers in Units

1980	15,000,000
1981	22,500,000
1982	28,000,000
1983	50,000,000
1984	70,000,000

Source: EIA/CEG

Konica plans to support its audio- and video-cassette lines with "regionalized" promotions. "We plan to sit down with our dealers so we can localize our advertising to their needs," a Konica spokesperson told MART, adding, "We don't believe that blank tape can be sold *efficiently* on a national basis, as if the product was a household universal like soap powder."

Another new entry into the video-cassette marketplace is Tramar's "Ameritape." The San Jose, CA-based manufacturer is stressing the fact that its product is domestically produced. VHS and Beta format Ameritape is packaged in red, white, and blue, with a bald eagle under the logo. "Our product's packaging is a statement for America, motherhood, and apple pie," said Marshall Mitzman, president.

Loran is offering a special promotion for its audio tape line. A special-purchase package featuring six cassettes housed in a solid-oak cassette rack will be offered at a suggested retail of $39.95. An added feature of the promo is an American Express $2 money order placed inside the package. ☐ JIM ROBINS

Sony Bites Beta Bullet and Introduces VHS Cassette

Sony wages a head-to-head battle as it introduces a new VHS line . . .

A four-year-long rumor became a reality at the June CES when Sony announced it would manufacture and distribute a full line of VHS tape. The opportunity to cash in on an expanding VHS market finally proved too big for the Beta giant to resist.

"We had been frozen out of a lot of markets," explained John Hollands, president of Sony Tape. "Now we can say to retailers, 'We'll take care of all your tape requirements.'"

Hollands admitted that Sony's decision to go with a VHS line involved a lot of "soul searching." Fears that Sony's introduction of a VHS tape line would undermine the company's support of Beta were obviously overridden by a desire to grab a larger share of the total video-cassette market.

Echoing arguments he made in Japan, Hollands said Sony's introduction of a VHS cassette line would increase its share of the Beta cassette market as well. "We are pushing brand recognition of the Sony name," he explained. "With a full line we will be able to increase distribution of our whole tape line. We've eliminated retailers' need to deal with two tape sources."

The new Sony tape, T-120, is an all-purpose, six-hour VHS tape. Suggested retail is $25.

As production capacity increases at Sony's Dothan, AL, plant, a higher-grade VHS tape will be introduced, probably late this fall. "We think we will sell all we can get our hands on during the next year," Hollands said.

Reaction to Sony's announcement was decidedly mixed. BASF's Mark Dellafera said he was glad to see Sony enter the VHS cassette market, explaining that he thought there was more than enough business to go around: "I'm sold out for the next four months."

Fuji's John Dale claimed he saw no threat of losing his market share due to Sony's move. "It's one thing to make Beta tape; it's a whole other process to make VHS," he said. "I don't know how well they're going to do it. Besides, I think it's going to be a good long while before they can produce VHS tape in any substantial numbers."

Bob Burnett, at 3M, had yet another perspective on Sony's entrance into the VHS cassette market. "Sony had to swallow a lot of pride to come out with VHS tape," he said. "But they've got a strong name, and it's going to have an impact on all of us."

Sony is planning on brand recognition to carry its new VHS line over into quick mass acceptance. Packaging on the consumer-electronics giant's total tape line was redesigned to feature the Sony logo in bold letters on cases, blister cards, baggies, and cellophane wraps.

"Worldwide, in tapes, we dominate," said Hollands. "But domestically sales have been disappointing. With our new full line, we plan to change that." ☐ JIM ROBINS

Video-Game Industry Is Going Strong But Gearing Up for Change

Promoting and adding more computer-game software is more important than ever

"The video-game business is as healthy as hell," Atari's Dave Ruckert announced at a press conference during the recent Consumer Electronics Show, citing recent survey results to prove his point.

A Gallup study of consumer attitudes toward video games, conducted in April and published in May, sampled 1,500 adults across the country and found that in January, 1983, 18 percent of U.S. households owned programmable video-game consoles, and 10 percent of all households indicated they would be fairly likely to purchase one within 12 months.

A Frost and Sullivan survey of several thousand retailers forecasted a 21.3-percent mean average growth rate per year for video-game consoles and a mean average growth rate of 37 percent per year for cartridges until 1985.

VIDEO GAME CARTRIDGES

Total Estimated Factory Sales

	Units (Thousands)	Dollars (Millions)
1980	9,000	na
1981	30,000	na
1982	60,000	1,200
1983	75,000	1,400
1984	85,000	1,500

Source: EIA/CEG

And Audits and Surveys, a retail audit of actual consumer takeaways in 200 retail shops across the country, showed an increase in video-game-console sales of 10 percent this April over last April. Game-cartridge sales are up 50 percent over last year.

In January owners reported their average playing time per week was nine hours, compared to 1½ hours two years ago. The average video-game household owns 10 games and buys five new games every year. Finally, more than 40 million people play video games in their homes.

Based on consumer behavior, then, the video-game industry is strong, Ruckert concluded. But Atari made another announcement at that press conference: this fall it will begin publishing computer-game software for third-party companies.

"We are just looking to maximize the potential of our software," said Ruckert.

So are a number of competitive companies that have jumped on the rather confusing bandwagon of product combinations. Before CES, Imagic announced a strategic redirection, favoring design of computer-related software over production of software for games-only systems. Today, Imagic produces games for the Commodore VIC-20 and Atari's 400/800/1200 computers, joining the company of well-known suppliers such as Mattel, Coleco, and Activision, which are already doing both.

According to Imagic President Bill Grubb, "No one adequately anticipated the magnitude of industry changes in recent months. Video-game competition was underestimated while growth was overestimated. The merger of video-game and home-computer industries was seen in the distance—and it's happening now."

Indeed, The Yankee Group predicted that home-computer sales in 1983 will have a significant impact on the future game market, and Future Computing, Inc., pointed to the recent drop in Atari's video-game software sales as a signal of more—or less—to come. Not only was the increased competition from video game-software suppliers a major factor in Atari's decline, but also the fact that, "A large percentage of video-game owners are now buying home computers. Hence, these video-game enthusiasts have lowered their spending on video-game software and are buying home-computer hardware and software instead."

With a customer base of 15 million, no one is ready to give up on video games, though. Imagic may have introduced five titles for home computers at CES, but it unveiled eight for video-game consoles too—six original games, a licensed title, and one translation of a previously successful game, "Nova Blast" for ColecoVision.

"There will always be video games," said Clive Smith of The Yankee Group, and some companies have even started a reverse trend. Sierra On-Line and Sirius, for example, which published software exclusively for computers, are now developing video games as well.

At Fox Video Games, Inc., games are being made for both. "We are going to make our products for whatever is out there," said Marketing Vice President Al Pepper. "We don't have any real fixed interest in any particular format. We just want to move a title across every format of reasonable size and appeal."

Fox Video introduced "Porky's-The Next Day" in both video-game and home-computer versions at CES. The game has the advantage of advertising support from Twentieth Century-Fox Film Corp., which will include it in an $8 million advertising campaign.

Though few video-game companies are affiliated with a film studio, every one of them realizes the critical importance of promotion as they vie not just with each other, but with the home computer that threatens to outdistance video-game-console sales by 1984.

"Marketing is the key," said Bob Brown, executive vice president of Starpath Corp., manufacturer of the SuperCharger video-game system and games. "There are so many games now that it's difficult to market them," he said. "We don't have the resources of a large company, so we must look for innovative marketing techniques."

One of the methods Starpath has chosen is new packaging. Improving its distribution channels and expanding them into the international marketplace are others.

Wall Street analyst Lee Isgur of Paine Webber Mitchell Hutchins believes, with Brown, in the importance of marketing. Wall Street was in awe of how quickly the video-game market took off, said Isgur, but it's horrified by how quickly it turned too, he added, referring to Atari's recent losses. The companies that succeed will be those that excel in marketing, packaging, and distribution, he said.

Atari will continue its rebate offer on the Atari 2600 through July 31. On July 1 it launched a two-month $100,000 Atari Safari sweepstakes to support "Kangaroo" and "Jungle Hunt" cartridge sales, with the grand-prize winner receiving a 14-day trip for four to a game reserve in Australia or Africa.

To promote its new game, "Plaque Attack," Activision joined with the makers of Aqua-fresh toothpaste in a nationwide promotion. Most exciting for Activision, though, is its contract with Olympic champion Bruce Jenner to promote its new game, "The Activision Decathlon."

N.A.P. Consumer Electronics Corp. is another company that has contracted with a prominent personality for promotional purposes. Only in N.A.P.'s case, the personality isn't a person. It's the ubiquitous Pink Panther, which will appear in the new game, "The Adventures of the Pink Panther," and in all promotions for it.

The list of clever, extravagant, and/or expensive promotional techniques goes on, but sophisticated graphics such as Mattel's "Super-Graphics" and new technology like Atari's voice-activated games introduced at CES play their part in the survival of the video game, said Clive Smith.

On-target marketing and distribution along with state-of-the-art technology are bound to score points in the marketplace, but CES exhibitors concurred that the ultimate winners will be the players who cross the board from video to computer games, developing and marketing both. ☐

RONNIE GUNNERSON

Imagic, TI Announce Joint Software Venture

Texas Instruments and Imagic have joined in an aggressive, long-term venture to develop entertainment and educational software for TI's 99/4A home computer, and both companies demonstrated a number of titles at the CES.

The collaborative effort will involve significant cooperation in technological matters and marketing responsibilities, representing an unusual venture in the industry, according to Imagic.

The agreement calls for a minimum of seven Imagic/TI titles in the first year, including translations of Imagic's 'Demon Attack' and 'Microsurgeon,' as well as the games 'Fathom' and 'Flap'! The games will employ voice-synthesis technology, developed by TI.

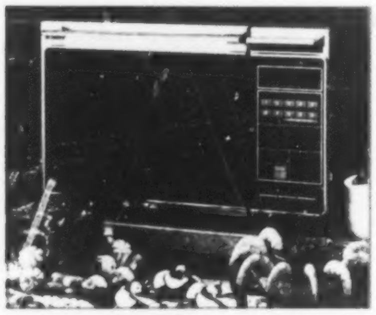
Details regarding pricing, availability, and further titles have not yet been announced, but Imagic President William Grubb said TI will handle distribution of the games, while Imagic will handle creation and advertising. The agreement is nonexclusive—both companies retain the option to cooperate with other developers and manufacturers.

Amana Sees M/W Saturation Hitting 70%

The company is adding a 1,000-watt oven aimed at replacement sales

Where is the $2-billion microwave-oven market headed?

Toward industry sales of 4.6 million units for this year, nearly 5 million units for 1984, and a level of roughly six million units annually—representing a 70-percent saturation—by the end of this decade, believes John A. Kammerer II, senior vice president, marketing, for Amana.



Amana's New RR1110, at $599, is said to cook 30 percent faster.

What's the reason for this projected doubling of the current microwave-saturation level, estimated by Amana to be about 33 percent today? A combination of a move into a new mass-market customer base and a growing replacement cycle, according to the company.

"The future is very rosy and positive for the microwave business," Kammerer declared. "We see a huge replacement market building up, made up of consumers who bought a microwave oven back in the late 60s and early 70s—because those early ovens really don't do much compared to today's versions."

Replacement sales currently represent about 6 percent of the total

[Continued on page 60]

Hobart Acquires Chambers Corp.

Hobart, division of Dart & Kraft, has acquired the Chambers Corp., a subsidiary of Rangaire Corp. and a producer of high-end cooking appliances. The sale became effective July 1.

According to Glenn Olinger, president of the KitchenAid division of Hobart, Chambers is an ideal acquisition for Hobart because it fits in with the company's stated goal of expansion into new consumer product areas within the appliance business. Chambers produces premium quality cooking appliances in Oxford, MS.

Sales and marketing operations for Chambers will move to KitchenAid headquarters in Troy, OH. Cooking appliance production will continue in Mississippi. ☐

Whirlpool Survey Probes Consumers

The study indicates consumers feel appliance quality is up, service quality is down

Most American consumers are generally satisfied with the products they are buying . . . but the servicing of those products is another story.

That's one of the key findings of a recently released survey of 1,002 consumers sponsored by Whirlpool Corp. The survey was intended to uncover consumer attitudes about products, services, and buying patterns, and to determine the consumer's perceptions about quality in those categories.

According to the survey, 33 percent of this group of consumers (said to be projectable for the U.S. population at large) said they were very satisfied with the manufactured goods they are buying, while another 52 percent described themselves as "very satisfied." Fifteen percent of these consumers said they feel the quality of goods in America has improved significantly over the past few years, while 35 percent said quality has improved somewhat.

On the other hand, 21 percent of these survey respondents said they feel product quality has deteriorated somewhat, and 7 percent said it had deteriorated significantly.

Looking at specific product categories, 39 percent of these consumers said they felt major-appliance quality had improved, while 32 percent said it had stayed the same and 30 percent feel appliance quality has deteriorated. (By comparison, 72 percent of these consumers said they felt consumer-electronics quality has improved, and 37 percent said the quality of electric housewares products has improved).

When it comes to getting those appliances serviced, however, consumers' perception of quality drops sharply. Asked to rate service quality in 11 different areas, consumers picked out only two areas in which they felt the quality had dropped: major appliances and automobiles.

The Whirlpool survey indicates that consumers are growing more confident in their ability to buy intelligently. Nearly 80 percent of the respondents said they felt they had become more demanding about the quality of goods in the past few years, and 92 percent said they felt they could get their money's worth if they were willing to shop around.

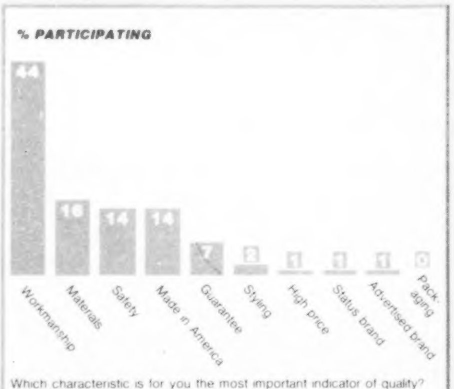
[Continued on page 58]

Change in Service Quality

All figures percentages

Supermarket services (checkout, bagging, check-cashing, etc.)	46	42	12
Your local fire department	45	53	2
Your local law enforcement agency	33	48	18
Residential telephone service	29	52	19
Your local garbage collection and sanitation	28	59	13
The U.S. postal service	24	54	22
Clothes cleaning and tailoring	26	58	16
Home electronics equipment service (TV, stereo, radio, etc.)	35	47	18
Major household appliance service (refrigerator, washer, dryer, etc.)	22	54	24
Home repair and services (plumbing, electrician services, painting, carpentry, etc.)	20	61	19
Automobile service	17	33	50

The Most Important Indicator of Quality Goods



Which characteristic is for you the most important indicator of quality? (988 Respondents)

Important Characteristics of the Salesperson

All figures percentages

Knowledgeable about specific products — sizes, materials, specifications, etc.?	72	21	5	2
Knowledgeable about the competing brands?	45	38	9	9
Knowlegeable about other departments and products in the store?	39	42	12	8
Available to help you as soon as you enter the store?	37	41	12	10
Courteous?	91	8	1	0
Easily identifiable by a name tag or the clothes they wear?	58	25	7	10
The same sex as you?	6	13	8	73
About the same age as you?	2	11	7	80
About the same ethnic background as you?	3	9	5	83

Source: America's Search for Quality: The Whirlpool Report on Consumers in the 1980s

Newswatch

Last month, Whirlpool officials traveled to Detroit to celebrate the **25th anniversary of the opening of the first Whirlpool factory branch** there. Jack Sparks, the firm's chairman of the board and chief executive officer, told MART Whirlpool's 14 factory branches currently do 50 percent of its business. The company also has 32 independent distributors...

Whirlpool Survey Reveals Consumers Are Content with Product . . . But Not Service

[Continued from page 53]

When it comes to the salespeople with whom they are dealing, 91 percent of these consumers rate courtesy far and away as most important, above even product knowledge. By comparison, only 72 percent said it was always important that the salesperson be knowledgeable about specific products, and 45 percent said it was always important that he or she be knowledgeable about competing brands.

Perhaps as a result of their dissatisfaction with appliance servicing, a number of respondents to the Whirlpool survey said they sometimes attempted to repair their major appliances themselves: 1 percent said they attempted appliance repairs more than once a month, 4 percent said they did it themselves about once a month, 10 percent said they repaired their appliances a few times a year, and 19 percent said they attempted their own repairs once a year or less. Sixty-five percent, on the other hand, said they never try repair.

How do consumers get information about the products they plan to buy? When it comes to major appliances, the Whirlpool survey indicates, this group, at least, relies more on word-of-mouth than on the retail salesperson or advertising.

Of these 1,002 consumers, 36 percent said they considered a family member or friend their most reliable source of information about major appliances. Another 27 percent said they relied most on the salesperson for information, while 19 percent said they got their best information from advertising. Another 15 percent said the most reliable source was newspaper or magazine articles, while 4 percent said they relied on television shows. (Interestingly, family members or friends ranked number-one as reliable sources of product information for each of the 12 product areas covered in this section of the survey.) ☐ CATHY CICCOLELLA

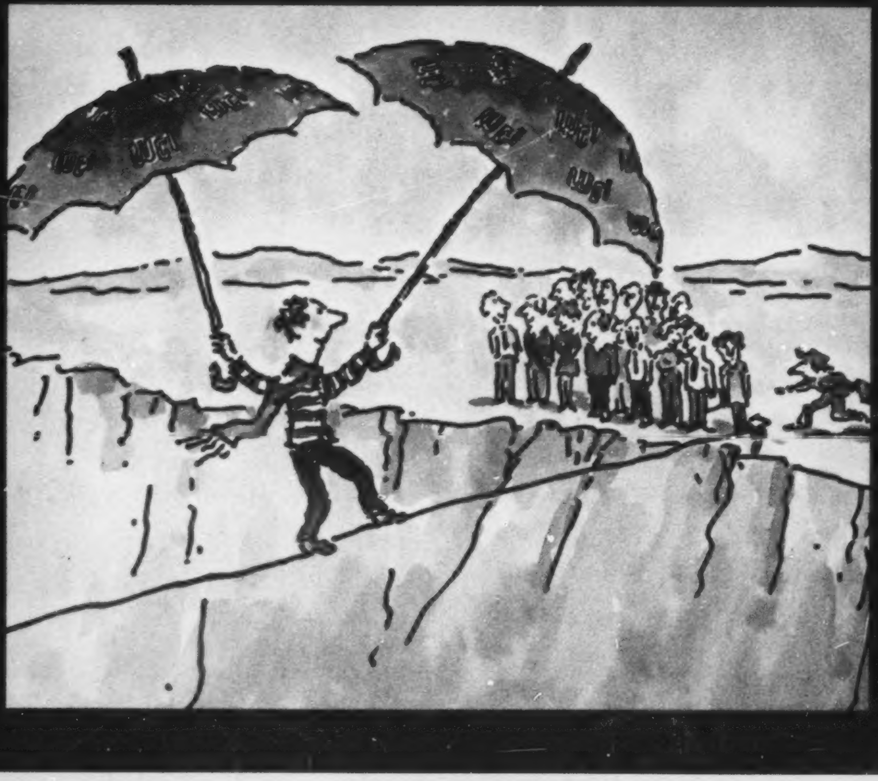
Waring Bows Three Products

Waring Products is introducing three new products at the July Housewares Show—the Waring Drink Mixer, the Waring Food Steamer/Rice Cooker, and a citrus juicer attachment for the company's Ice Cream Parlor ice cream maker.

According to Vice President of Sales and Marketing, Gerald Carrino, the drink mixer is a wall-mounted unit with a suggested retail price of $33.99.

The citrus juicer attachment for the ice cream maker doubles the use of the original product, Carrino said. The attachment will retrofit onto all Waring Ice Cream Parlor ice cream makers. According to Carrino, the ice cream maker market is a steady business with annual sales between 1 and 1.5 million units. The new attachment will retail at the manufacturer's suggested price of $48.99. ☐

NOTHING'S GOING TO KNOCK US OFF.



Good balance helps us keep our footing no matter how the wind blows.

On the one hand, White Consolidated Industries is a manufacturer of major home appliances.

On the other hand, we make machine tools, steel mill machinery, road pavers, valves and controls, and more.

It's an uncommonly good balance that has given us our growth through good times and through bad. To the point where we're now a $2 billion company, 50 times bigger than in '56.

All of which means that we've got the resources to keep our products new, and to keep our new ideas coming.

Just look at what's happened in the WCI Appliance Group: Frigidaire, Gibson, Kelvinator and White-Westinghouse.

Since their acquisition, we've spent millions of dollars to expand, to modernize. All part of our lively commitment to your industry. All part of the benefits of balance.

Finally, we do have to admit to being "unbalanced" about one thing. We're crazy for quality. New technologies have given us a chance to do an even better job. And we'd like a chance to prove it to you.

Just write and ask us for our new quality brochure. The address is WCI Appliance Group, 11770 Berea Road, Cleveland, Ohio 44111.

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